



Volume 3  
Financial Statements of  
Crown Corporations,  
Boards, Commissions

# Public Accounts

for the fiscal year ended March 31

# 1998

Printed by  
Authority of the Legislature  
Fredericton, N.B.

New  Nouveau  
**Brunswick**

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Boards, Commissions

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## INTRODUCTION VOLUME III

The Public Accounts of the Province of New Brunswick are presented in four volumes.

Volume I contains the audited financial statements of the reporting entity of the Province as described in Note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Revenue and Expenditure, a Statement of Cash Flow and a Statement of Net Debt. Volume I also contains the Auditor's Report, Statement of Responsibility and a variance analysis.

Volume II contains unaudited supplementary information to the Financial Statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. Volume II also contains detailed information on Supplementary Appropriations, Funded Debt and Capital Loans, statements of the General Sinking Fund, Securities Held, and revenue and expenditure by government department (this includes salary, travel, vendor, grant and contribution, and loan disbursement listings).

**This volume contains the financial statements of those corporations, boards and commissions which are accountable for the administration of their financial affairs and resources to the Government or Legislature of the Province. The Government or Legislature also has the power to control these organizations either through ownership or through legislative provisions.**

Volume IV contains the financial statements of various trust funds which the Province administers as Trustee.

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**FINANCIAL STATEMENTS**  
**ADVISORY COUNCIL ON THE STATUS**  
**OF WOMEN**  
**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Members  
Advisory Council on the Status of Women

I have audited the balance sheet of the Advisory Council on the Status of Women as at 31 March 1998 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1998 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
11 June 1998

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**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
BALANCE SHEET  
31 MARCH 1998**

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	1998	1997
<b>ASSETS</b>		
Cash	\$ 1,726	\$ 86,066
Prepaid expenses	-	2,860
	<u>\$ 1,726</u>	<u>\$ 88,926</u>
<b>LIABILITIES AND SURPLUS</b>		
Accounts payable- Due to Province of New Brunswick	\$ 1,639	\$ 4,422
- Federal Government	87	-
Surplus	-	84,504
	<u>\$ 1,726</u>	<u>\$ 88,926</u>

Approved by the Council

*Quinn Riddle* Chairperson

*Lillian Swett* Member

**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
STATEMENT OF REVENUE, EXPENSES AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998 Budget	1998	1997
<b>REVENUE</b>			
Grants			
Province of New Brunswick	\$425,500	\$445,900	\$430,800
Student employment	-	-	3,234
Conference registration	-	1,336	3,096
Divorce guide/separation guide sales	-	2,621	3,990
Other	8,000	2,059	3,658
	<u>433,500</u>	<u>451,916</u>	<u>444,778</u>
<b>EXPENSES</b>			
Salaries and employee benefits	313,000	322,872	322,148
Professional services	-	47,509	-
Furniture and equipment	15,000	28,288	14,008
Travel	17,392	28,041	19,662
Office supplies	14,400	13,976	12,424
Telephone	10,500	18,611	11,932
Meetings	7,200	7,309	10,628
Special projects	24,000	158	13,575
Per diem - Council members	15,647	23,660	8,348
Rent (Note 4)	-	-	2,775
Public relations and networking	5,100	8,242	5,403
Professional development	3,000	444	1,651
Translation (Note 4)	4,000	2,113	-
Publications	6,000	3,761	4,336
Other	700	1,151	1,174
Maintenance	500	783	408
Congress	8,000	14,323	11,098
Donations	-	7,700	-
	<u>444,439</u>	<u>528,941</u>	<u>439,570</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$(10,939)</u>	(77,025)	5,208
Surplus, beginning of year		84,504	79,296
Surplus, transferred to consolidated fund (Note 3)		(7,479)	-
<b>SURPLUS, end of year</b>		<u>\$ Nil</u>	<u>\$ 84,504</u>

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**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Purpose of the organization**

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The Advisory Council of the Status of Women advises the New Brunswick government on matters relating to the status of women and brings before the public issues of concern to women.

**2. Summary of significant accounting policies**

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(a) Accrual basis

The financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected.

(b) Fixed assets

It is the policy of the Council to charge all fixed asset purchases to expense in the year in which the expenditure is incurred.

**3. Change in administration**

---

In December 1997 the Department of Finance took over most of the administrative duties of the Advisory Council on the Status of Women. Most of the funds on hand at that time were transferred to the Province. Those funds, including those provided through prior years' surpluses, were used to pay for the current year's expenditures. The remaining surplus after paying for all expenditures was deposited with the consolidated fund of the Province of New Brunswick.

**4. Rental and translation expense**

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The rental of the Council's office and the majority of translation costs are paid for by the Province of New Brunswick and have not been included in the Council's expenses.



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**FINANCIAL STATEMENTS**

**ALGONQUIN PROPERTIES LIMITED**

**31 DECEMBER 1997**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
Algonquin Properties Limited

I have audited the balance sheet of Algonquin Properties Limited as at 31 December 1997 and the statements of revenue, expenditure and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at 31 December 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

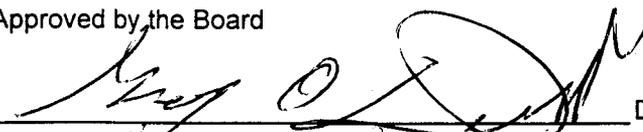
Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
4 March 1998

**ALGONQUIN PROPERTIES LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 1997**

	1997	1996
<b>ASSETS</b>		
Current assets		
Cash on hand and in bank	\$ 125,595	\$ 123,585
Accounts receivable	238,388	114,255
Inventories, at cost	79,964	85,104
Prepaid expenses	49,646	23,385
	<u>493,593</u>	<u>346,329</u>
Deferred charges (Note 3)	15,669	53,277
Capital assets (Note 4)	17,476,273	16,772,711
	<u>\$ 17,985,535</u>	<u>\$ 17,172,317</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Interest on expansion loan (Note 5)	\$ 4,866,474	\$ 3,640,686
Accounts payable and accrued liabilities	197,091	482,966
Due to Canadian Pacific Hotels	32,888	36,830
Advance deposits	16,545	11,603
	<u>5,112,998</u>	<u>4,172,085</u>
Due to Province of New Brunswick (Note 5)	30,177,171	28,427,171
Capital stock		
Authorized		
10,000 common shares aggregate value not to exceed \$100,000		
9,000 8% non-cumulative redeemable preferred shares with a par value of \$100 each		
Issued and fully paid		
5,000 common shares	50,000	50,000
2,500 preferred shares	250,000	250,000
	<u>300,000</u>	<u>300,000</u>
Deficit	( 17,604,634)	( 15,726,939)
	<u>( 17,304,634)</u>	<u>( 15,426,939)</u>
	<u>\$ 17,985,535</u>	<u>\$ 17,172,317</u>

Approved by the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

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**ALGONQUIN PROPERTIES LIMITED**  
**STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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	1997 Budget (Note 6)	1997	1996
<b>REVENUE</b>			
Room sales	\$ 3,144,272	\$ 2,983,965	\$ 2,760,825
Food sales	1,913,000	1,730,024	1,719,592
Beverage sales	716,500	523,787	609,015
Green fees and rentals	434,450	413,052	390,252
Other sport activities	86,600	76,619	89,716
Telephone	88,660	73,640	70,530
Rent from Community College	47,400	48,494	48,466
Miscellaneous	119,150	125,255	118,508
Interest	-	4,675	8,784
Recoveries	-	27,708	40,370
	<u>6,550,032</u>	<u>6,007,219</u>	<u>5,856,058</u>
<b>EXPENDITURE</b>			
Direct costs	3,403,569	2,980,555	3,085,052
Administrative and general	751,282	710,631	695,497
Advertising and promotion	546,139	574,850	488,464
Heat, light and power	328,000	351,587	349,330
Repairs and maintenance	514,268	424,270	482,375
Property taxes	356,700	337,298	358,764
Management fees	209,894	192,702	196,997
Interest on expansion loan (Note 5)	1,209,000	1,225,788	1,121,847
Amortization - capital assets	1,071,000	1,049,625	1,000,289
- deferred charges	37,608	37,608	37,608
	<u>8,427,460</u>	<u>7,884,914</u>	<u>7,816,223</u>
<b>NET INCOME (LOSS)</b>	<u>\$(1,877,428)</u>	( 1,877,695)	( 1,960,165)
Deficit, beginning of year		( 15,726,939)	( 13,766,774)
<b>DEFICIT, end of year</b>		<u>\$(17,604,634)</u>	<u>\$(15,726,939)</u>

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**ALGONQUIN PROPERTIES LIMITED  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 1997**

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	1997	1996
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net loss for the year	\$(1,877,695)	\$(1,960,165)
Add item not involving cash:		
Amortization	1,087,233	1,037,897
Decrease in non-cash components of working capital	795,659	876,627
	<u>5,197</u>	<u>( 45,641)</u>
Financing activities:		
Advances from the Province	<u>1,750,000</u>	<u>2,200,000</u>
Investing activities:		
Purchases of capital assets - renovations	<u>( 1,753,187)</u>	<u>( 2,249,708)</u>
<b>DECREASE IN CASH</b>	2,010	( 95,349)
Cash position, beginning of year	<u>123,585</u>	<u>218,934</u>
<b>CASH POSITION, end of year</b>	<u>\$ 125,595</u>	<u>\$ 123,585</u>

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**ALGONQUIN PROPERTIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1997**

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**1. Description of operations**

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The Company is wholly-owned by the Province of New Brunswick and administers the operations of the Algonquin Hotel. By means of a management agreement, the Company has contracted the day-to-day management of the hotel operations to Canadian Pacific Hotels.

**2. Summary of significant accounting policies**

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(a) A reserve for replacement of equipment has been established pursuant to the management agreement with Canadian Pacific Hotels to represent limits on the replacement of equipment chargeable to the operation of the hotel. The agreement states that each year an amount not to exceed a maximum of one and one half percent (1.5%) of gross revenue may be added to this reserve. Purchases of furniture, fixtures and equipment are charged against this reserve up to the balance in the account.

(b) Replacement costs of china, glassware, silverware, utensils, linen, and similar equipment are charged to expenditure in year of purchase pursuant to the management agreement with Canadian Pacific Hotels.

(c) Amortization of capital assets and deferred charges has been approved by management on a straight-line basis at the rates shown in Notes 3 and 4.

**3. Deferred charges**

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The following is a schedule of deferred charges relating to the hotel expansion:

	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Unamortized Balance</b>
Incremental marketing program	20%	\$ 125,237	\$ 114,803	\$ 10,434
Other start-up costs	20%	62,802	57,567	5,235
		<u>\$ 188,039</u>	<u>\$ 172,370</u>	<u>\$ 15,669</u>

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**ALGONQUIN PROPERTIES LIMITED  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1997**

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**4. Capital assets**

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	Rate	Cost	Accumulated Amortization	Unamortized Balance
Land	-	\$ 140,282	\$ -	\$ 140,282
Buildings, improvements and equipment	2.5 - 10%	22,703,117	6,257,831	16,445,286
Operating equipment	8 - 20%	3,328,568	2,437,863	890,705
		<u>\$ 26,171,967</u>	<u>\$ 8,695,694</u>	<u>\$ 17,476,273</u>

Assets are charged for a full year's amortization in the year of purchase.

**5. Due to Province of New Brunswick**

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	1997	1996
Shareholder's loan	\$ 492,000	\$ 492,000
Loan for expansion	9,714,585	9,714,585
Advances	19,970,586	18,220,586
	<u>\$ 30,177,171</u>	<u>\$ 28,427,171</u>

The shareholder's loan and the advances are non-interest bearing with no specific terms of repayment.

The loan for expansion due to the Province is interest bearing. The interest rate on this loan is 9.06% compounded semi-annually. This rate is the twenty-year provincial borrowing rate at 15 May 1993 as determined by the Department of Finance. Interest began to accrue on 15 May 1993 when the expansion was substantially completed. Interest accrued on this loan relating to 1997 was \$1,225,788. Repayment of this loan will commence when the hotel generates sufficient funds.

**6. Budget figures**

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The 1997 budget figures provided have been restated to conform with the presentation of actual figures.



Grant Thornton 

**Board of Commissioners of  
Public Utilities  
of the Province of New Brunswick  
Financial Statements  
March 31, 1998**

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Grant Thornton 

## Auditors' Report

To the Board of Commissioners of Public Utilities  
of the Province of New Brunswick

We have audited the balance sheets of the Board of Commissioners of Public Utilities of the Province of New Brunswick as at March 31, 1998 and the statements of revenue and expenditures and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in the notes to the financial statements.

Saint John, New Brunswick  
May 27, 1998

  
Chartered Accountants

Suite 600  
55 Union Street  
Saint John  
New Brunswick  
E2L 5B7  
Tel: (506) 634-2900  
Fax: (506) 634-4569

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Statements of Revenue and Expenditures and Surplus**

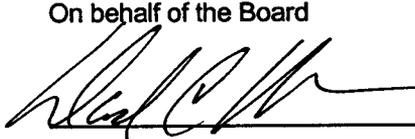
Year Ended March 31	1998	1997
<b>Revenue</b>		
Assessment on public utilities (Note 6)	\$ 225,432	\$ 207,478
Gain on disposal of investments	-	3,989
Interest		
Investments	-	1,519
Bank	<u>4,628</u>	<u>5,841</u>
	<u>230,060</u>	<u>218,827</u>
<b>Expenditures</b>		
Depreciation	5,879	6,378
Direct expenses	6,322	-
Library and publications	4,840	4,042
Miscellaneous	6,638	7,398
Office and administration	17,418	16,945
Professional fees	4,500	4,750
Salaries and benefits	192,806	186,801
Training	<u>30,218</u>	<u>32,467</u>
	<u>268,621</u>	<u>258,781</u>
Deficiency of revenue over expenditures	\$ <u>(38,561)</u>	\$ <u>(39,954)</u>
<b>Surplus, beginning of year</b>		
	\$ 170,568	\$ 210,522
Deficiency of revenue over expenditures	<u>(38,561)</u>	<u>(39,954)</u>
Surplus, end of year	<u>\$ 132,007</u>	<u>\$ 170,568</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Balance Sheet**

March 31	1998	1997
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 107,132	\$ 165,406
Receivables (Note 3)	12,507	2,937
Prepaid expenses	<u>348</u>	<u>348</u>
	119,987	168,691
Cash held in trust (Note 4)	14,230	13,590
Equipment (Note 5)	<u>16,520</u>	<u>6,377</u>
	\$ <u>150,737</u>	\$ <u>188,658</u>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 4,500	\$ 4,500
Funds held in trust (Note 4)	<u>14,230</u>	<u>13,590</u>
	<u>18,730</u>	<u>18,090</u>
<b>Surplus</b>		
Applied to the 1997/1998 assessment		170,568
To be applied to the 1998/1999 assessment	<u>132,007</u>	<u>          </u>
	<u>132,007</u>	<u>170,568</u>
	\$ <u>150,737</u>	\$ <u>188,658</u>

On behalf of the Board

 Chairman  Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Statement of Changes in Financial Position**

Year Ended March 31	1998	1997
Cash derived from		
<b>Operating</b>		
Deficiency of revenue over expenditures	\$ (38,561)	\$ (39,954)
Depreciation	5,879	6,378
Gain on disposal of investments	-	(3,989)
	<u>(32,682)</u>	<u>(37,565)</u>
Changes in		
Receivables	(9,570)	3,159
Prepaid expenses	-	1,156
Payables and accruals	-	(6,748)
	<u>(42,252)</u>	<u>(39,998)</u>
<b>Investing</b>		
Purchase of computer equipment	(18,022)	-
Proceeds on disposal of computer equipment	2,000	-
Proceeds on retirement of bonds	-	43,134
	<u>(16,022)</u>	<u>43,134</u>
Net (decrease) increase in cash	(58,274)	3,136
Cash		
Beginning of year	<u>165,406</u>	<u>162,270</u>
End of year	\$ <u>107,132</u>	\$ <u>165,406</u>

See accompanying notes to the financial statements.

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**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Notes to the Financial Statements**

March 31, 1998

---

**1. Nature of operations**

The Board of Commissioners of Public Utilities was created under the Public Utilities Act of New Brunswick to regulate rates charged by public utilities and automobile insurers in New Brunswick.

The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

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**2. Summary of significant accounting policies**

**Furniture and fixtures**

Furniture and fixtures are expensed in the year of acquisition.

**Equipment**

Depreciation of computer equipment is recorded using the straight line method at a rate of 33 1/3%.

**Direct expenses**

Direct expenses include hearing costs, travel, training and other out of pocket expenses directly attributable to a specific public utility.

---

<b>3. Receivables</b>	<u>1998</u>	<u>1997</u>
Accounts receivable	\$ 6,921	\$ -
HST receivable	4,336	-
Travel advances	<u>1,250</u>	<u>2,937</u>
	<u>\$ 12,507</u>	<u>\$ 2,937</u>

---

**4. Funds held in trust**

Cash of \$14,230 (1997 - \$13,590) relating to the regulation of the public motor bus industry in New Brunswick is being held in trust by the Board on behalf of the New Brunswick Department of Transportation.

During the year, the Board, pursuant to the provisions of the Motor Carrier Act, conducted hearings. Direct expenses associated with these hearings were paid by the Board, out of fees collected from licensed motor carriers, with the approval of the Department. No overhead expenses were paid from these fees.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick- Regulation of Public Utilities  
Notes to the Financial Statements**

March 31, 1998

5. Equipment	1998		1997	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ <u>18,022</u>	\$ <u>1,502</u>	\$ <u>16,520</u>	\$ <u>6,377</u>

**6. Assessment on public utilities**

In accordance with Section 9 of the Public Utilities Act, public utilities are assessed each year for their individual direct expenses together with their share of common expenses. Each utility's share of common expenses is based on the proportion of its gross earnings to the aggregate of gross earnings for all utilities. The assessments are adjusted to recover or return any deficiency or excess of revenue over expenditures of prior years.

	1998	1997
Gross public utilities' earnings	\$ <u>1,041,504,688</u>	\$ <u>945,899,865</u>
Estimate of common expenses	\$ 267,000	\$ 263,000
Less: estimate of interest income	(6,000)	(12,000)
bond redemption during the year	<u>-</u>	<u>(11,000)</u>
Estimate of net common expenses	261,000	240,000
Estimate of direct expenses	<u>135,000</u>	<u>135,000</u>
	396,000	375,000
Surplus from prior year	<u>(170,568)</u>	<u>(167,522)</u>
Assessment on public utilities	\$ <u>225,432</u>	\$ <u>207,478</u>

**7. Assessment for public intervenor**

Pursuant to Section 9(1.1) of the Public Utilities Act, the costs of the Agent for the Attorney General with respect to interventions made are to be collected by the Board from the public utilities regulated by the Board and paid to the Minister of Finance. No such amounts were collected and paid during the Board's fiscal years ended March 31, 1998 and March 31, 1997 as the Attorney General submitted no costs to the Board to be collected in its assessment.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Statements of Revenue and Expenditures and Surplus**

Year Ended March 31 1998 1997

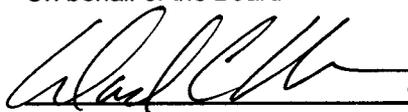
<b>Revenue</b>		
Assessment on automobile insurers (Note 2)	\$ 266,400	\$ 345,000
Interest	<u>2,821</u>	<u>3,901</u>
	<u>269,221</u>	<u>348,901</u>
<b>Expenditures</b>		
Actuarial consultant	62,606	190,709
Advertising	-	5,658
Commissioners' per diems	2,500	11,050
Commissioners' travel	926	6,000
Depreciation	1,901	1,901
Office and administration	21,510	17,330
Professional fees	2,200	2,000
Salaries	82,963	78,545
Training	<u>2,201</u>	<u>-</u>
	<u>176,807</u>	<u>313,193</u>
Excess of revenue over expenditures	\$ <u>92,414</u>	\$ <u>35,708</u>
<hr/>		
Deficit, beginning of year	\$ (28,951)	\$ (64,659)
Excess of revenue over expenditures	<u>92,414</u>	<u>35,708</u>
Surplus (deficit), end of year	\$ <u>63,463</u>	\$ <u>(28,951)</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Balance Sheet**

March 31	1998	1997
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 163,614	\$ 162,633
Receivables (Note 3)	<u>1,130</u>	<u>93</u>
	164,744	162,726
Equipment (Note 4)	<u>1,901</u>	<u>3,802</u>
	<u>\$ 166,645</u>	<u>\$ 166,528</u>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 28,383	\$ 15,281
Deferred revenue	<u>74,799</u>	<u>180,198</u>
	103,182	195,479
Surplus (deficit)	<u>63,463</u>	<u>(28,951)</u>
	<u>\$ 166,645</u>	<u>\$ 166,528</u>

On behalf of the Board




Chairman Secretary

See accompanying notes to the financial statements.

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**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Statement of Changes in Financial Position**

Year Ended March 31	1998	1997
Cash derived from (applied to)		
<b>Operating</b>		
Excess of revenue over expenditures	\$ 92,414	\$ 35,708
Depreciation	<u>1,901</u>	<u>1,901</u>
	<b>94,315</b>	<b>37,609</b>
Changes in		
Receivables	(1,037)	(50)
Payables and accruals	13,102	(55,839)
Deferred revenue	<u>(105,399)</u>	<u>180,198</u>
	<u>981</u>	<u>161,918</u>
<b>Investing</b>		
Purchase of equipment	<u>-</u>	<u>(5,703)</u>
Net increase in cash	<b>981</b>	<b>156,215</b>
Cash		
Beginning of year	<u>162,633</u>	<u>6,418</u>
End of year	<b>\$ <u>163,614</u></b>	<b>\$ <u>162,633</u></b>

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See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Notes to the Financial Statements**

March 31, 1998

**1. Summary of significant accounting policies**

**Furniture, fixtures**

Furniture, fixtures and equipment are expensed in the year of acquisition.

**Equipment**

Depreciation of computer equipment is recorded using the straight line method at a rate of 33 1/3%.

**2. Assessment on automobile insurers**

In accordance with Section 9.1(1) of the Public Utilities Act, automobile insurers of New Brunswick are assessed each year. The assessment for each insurer is the proportion that the insurer's net receipts is of total net receipts. That proportion is applied to the budget for the ensuing year, adjusted to recover or return the prior year's deficiency or excess of revenue over expenditures.

	<u>1998</u>	<u>1997</u>
Automobile insurers' net receipts	\$ <u>314,472,000</u>	\$ <u>295,926,000</u>
Assessment on receipts		
Assessment for current year	\$ 237,449	\$ 280,341
Adjustment for prior year deficit	<u>28,951</u>	<u>64,659</u>
	\$ <u>266,400</u>	\$ <u>345,000</u>

**3. Receivables**

	<u>1998</u>	<u>1997</u>
Accrued interest	\$ 274	\$ 93
HST receivable	<u>856</u>	<u>-</u>
	\$ <u>1,130</u>	\$ <u>93</u>

**4. Equipment**

	<u>1998</u>		<u>1997</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer	\$ <u>5,703</u>	\$ <u>3,802</u>	\$ <u>1,901</u>	\$ <u>3,802</u>



*Financial Statements of*

**FOREST PROTECTION LIMITED**

*March 31, 1998*

**Deloitte &  
Touche****Chartered Accountants**

Deloitte & Touche  
Brunswick House  
44 Chipman Hill  
P.O. Box 6549, Station A  
Saint John, New Brunswick  
E2L 4R9

Telephone: (506) 632-1080  
Facsimile: (506) 632-1210

## Auditors' Report

To the Shareholders,  
Forest Protection Limited

We have audited the balance sheet of Forest Protection Limited as at March 31, 1998 and the statements of operations and unrestricted net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

April 20, 1998

# FOREST PROTECTION LIMITED

## Balance Sheet

as at March 31, 1998

	1998	1997
<b>CURRENT ASSETS</b>		
Accounts receivable	\$ 159,696	\$ 47,302
Amounts due from participants	-	11,500
Inventories - aircraft spare parts	644,021	655,327
- other	999	7,953
	804,716	722,082
<b>CAPITAL ASSETS</b>		
Property, plant and equipment (Note 3)	1,361,038	1,446,976
	\$ 2,165,754	\$ 2,169,058
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ 1,771,570	\$ 62,384
Accounts payable	894,992	561,338
	2,666,562	623,722
<b>(DEFICIT) SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 4)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	1,361,038	1,446,976
Net assets internally restricted for equipment replacement	(2,579,734)	(619,528)
Unrestricted net assets	-	-
	(500,808)	1,545,336
	\$ 2,165,754	\$ 2,169,058

APPROVED BY THE BOARD

  
 .....  
  
 .....

**FOREST PROTECTION LIMITED****Statement of Operations and Unrestricted Net Assets**

year ended March 31, 1998

	1998	1997
<b>REVENUES</b>		
Contributions from participants		
Province of New Brunswick	\$ 2,029,418	\$ 2,047,317
Industry	341,020	343,754
Other revenue	300,791	575,863
Interest earned	4,772	15,400
	<u>2,676,001</u>	<u>2,982,334</u>
<b>OPERATING EXPENSES (Note 5)</b>		
Overhead	602,644	602,196
Pest control	376,090	330,356
Fire suppression	1,349,061	1,346,777
Research and development	437,984	471,832
Other projects	-	197,442
	<u>2,765,779</u>	<u>2,948,603</u>
<b>OTHER EXPENSES</b>		
Litigation costs (Note 6)	1,831,567	635,870
Amortization of capital assets	128,799	224,868
Gain on disposal of capital assets	(4,000)	(6,170)
	<u>1,956,366</u>	<u>854,568</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<b>(2,046,144)</b>	<b>(820,837)</b>
Transfer from net investment in capital assets	85,938	113,079
Transfer from net assets internally restricted for equipment replacement	1,960,206	707,758
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>

**FOREST PROTECTION LIMITED**  
**Statement of Changes in Net Assets**  
 year ended March 31, 1998

	1998	1997
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Balance at the beginning of the year	\$ 1,446,976	\$ 1,560,055
Transfers from (to) unrestricted operations:		
Acquisition of property, plant and equipment	42,861	117,946
Proceeds of assets disposed of or retired	(4,000)	(12,327)
Amortization of capital assets	(128,799)	(224,868)
Gain on disposal of capital assets	4,000	6,170
	(85,938)	(113,079)
Balance at end of year	\$ 1,361,038	\$ 1,446,976
<b>NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT</b>		
Balance at the beginning of the year	\$ (619,528)	\$ 88,230
Transfers from (to) unrestricted operations:		
Litigation costs	(1,808,731)	(635,870)
Administration costs charged to litigation	(271,309)	(95,380)
Interest on internally restricted funds	(22,836)	718
Transfer from unrestricted net assets	142,670	22,774
	(1,960,206)	(707,758)
Balance at end of year	\$ (2,579,734)	\$ (619,528)

**FOREST PROTECTION LIMITED****Statement of Cash Flows**

year ended March 31, 1998

	1998	1997
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of expenses over revenues	\$ (2,046,144)	\$ (820,837)
Amortization of capital assets	128,799	224,868
Gain on disposal of capital assets	(4,000)	(6,170)
Changes in non-cash operating working capital items:		
Accounts receivable	(112,394)	48,199
Amounts due from participants	11,500	12,698
Inventories - other	6,954	(994)
- aircraft spare parts	11,306	(5,959)
Accounts payable	333,654	158,502
	<u>(1,670,325)</u>	<u>(389,693)</u>
<b>INVESTING</b>		
Acquisition of property, plant and equipment	(42,861)	(117,946)
Proceeds on sale of property, plant and equipment	4,000	12,327
	<u>(38,861)</u>	<u>(105,619)</u>
<b>NET CASH OUTFLOW</b>	<b>(1,709,186)</b>	<b>(495,312)</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>(62,384)</b>	<b>432,928</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ (1,771,570)</b>	<b>\$ (62,384)</b>

# FOREST PROTECTION LIMITED

## Notes to the Financial Statements

year ended March 31, 1998

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### 1. CONTINUATION OF OPERATIONS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

During the past three years the Company has incurred significant losses and the deficit at year end amounted to \$500,808. The losses have primarily been due to the cost of pursuing a legal claim.

The continuation of the Company is dependent upon, among other things, the continued support of its banker, the Province of New Brunswick and its industry participants, returning to profitable operations and a significant recovery from its legal action as referred to in Note 6.

### 2. ACCOUNTING POLICIES

#### *Operations and Net Investment in Capital Assets*

- a. The company is a non-profit organization and carries out an annual program, comprising pest control, fire suppression and research and development, of forest protection activities. The costs of the pest control program including all overhead expenditures are shared between various participating companies and the Province of New Brunswick on the basis of an approved cost sharing formula. Costs directly attributable to fire suppression activities are recovered from the Province of New Brunswick. The net cost of research and development activities, after deducting revenues received, is recovered from the participating companies and the Province of New Brunswick on the basis of a separate approved cost sharing formula.
- b. Program expenditures funded by participants include all costs incurred during the year, including the cost of property, plant and equipment and inventories consumed during the year. Costs funded are reduced by proceeds on disposal of property, plant and equipment, except for aircraft sales, which are transferred to Net Assets Internally Restricted for Equipment Replacement.
- c. Program costs are accumulated in accordance with generally accepted accounting principles, except that the Company does not accrue for vacation pay earned by employees but not taken as at the year end.

**FOREST PROTECTION LIMITED****Notes to the Financial Statements**year ended March 31, 1998

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**2. ACCOUNTING POLICIES (Continued)**

- d. Property, plant and equipment acquired during the year which remain on hand at the year end are recorded in the financial statements as Net Investment in Capital Assets.
- e. Inventories acquired up to October 31, 1975 are valued at historical cost, if determinable, or at an estimated replacement value at that date. Inventories acquired after October 31, 1975 are valued at current acquisition costs. Slow moving inventory is written off. Consumable supplies, except for pesticides and aviation fuel and lubricants on hand at the end of each year are not included in the inventory balance.
- f. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other property, plant and equipment, including buildings acquired subsequent to October 31, 1975 is valued at historical cost.
- g. Amortization of property, plant and equipment is calculated as follows:
- |                           |   |                   |
|---------------------------|---|-------------------|
| Building and Mobile Homes | - | 10% straight-line |
| Aircraft                  | - | 4% straight-line  |
| Equipment                 | - | 20% straight-line |

*Net Assets Internally Restricted for Equipment Replacement*

- h. By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:
- proceeds received from aircraft sales;
  - proceeds from legal actions, less the cost of pursuing these actions; and,
  - operating surpluses arising from unrestricted operations.

**FOREST PROTECTION LIMITED**  
**Notes to the Financial Statements**  
**year ended March 31, 1998**

**3. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Depreciation	Net Book Value	
			1998	1997
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	356,247	349,160	7,087	9,653
Aircraft	1,791,439	752,954	1,038,485	1,114,143
Equipment	1,646,808	1,406,342	240,466	248,180
	<u>\$ 3,869,494</u>	<u>\$ 2,508,456</u>	<u>\$ 1,361,038</u>	<u>\$ 1,446,976</u>

**4. CAPITAL STOCK**

	1998	1997
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	2,000	2,000
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

**FOREST PROTECTION LIMITED****Notes to the Financial Statements**

year ended March 31, 1998

**5. PROGRAM EXPENDITURES**

	<u>1998</u>	<u>1997</u>
PROGRAM EXPENDITURES		
Salaries and wages	\$ 1,019,511	\$ 1,176,990
Employer contributions	128,287	125,883
Transportation and communications	112,923	128,463
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	532,295	493,683
Maintenance and repairs (contractual)	563,772	637,947
Non-capitalized parts and equipment	25,200	13,807
Rentals (including aircraft)	155,681	130,138
Insecticides, materials and supplies	228,110	241,692
Expenses charged to operations	2,765,779	2,948,603
Capitalized - property, plant and equipment	42,861	117,946
Total program expenditures	\$ 2,808,640	\$ 3,066,549

## PROGRAM EXPENDITURES BY OPERATIONAL DIVISION

Overhead expenditures	\$ 633,506	\$ 635,931
Pest control expenditures	376,090	344,330
Research and development expenditures	449,984	503,728
Fire suppression expenditures	1,349,060	1,374,144
Other projects	-	208,416
	\$ 2,808,640	\$ 3,066,549

**6. LITIGATION**

The Company is continuing to pursue a legal action against certain parties. The outcome of this action cannot be determined at this time. Therefore no provision has been made in the financial statements with respect to this action.

By authority of the Board of Directors, costs incurred during the year for pursuing the action, amounting to \$2,080,040 (1997 - \$731,250), including an allocation of administrative costs, have been transferred from Net Assets Internally Restricted for Equipment Replacement.

**Chartered Accountants**  
Canadian Member Firm of  
Grant Thornton International

**Doane Raymond** 

**Kingsbrae Horticultural  
Garden Inc.**  
**Financial Statements**  
March 31, 1998

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Doane Raymond 

## Auditors' Report

To the Directors of  
Kingsbrae Horticultural Garden Inc.

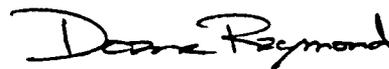
We have audited the balance sheet of Kingsbrae Horticultural Garden Inc. as at March 31, 1998, and the statements of operations, changes in fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives revenue from private and public contributions the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. Stephen, New Brunswick  
May 28, 1998



Chartered Accountants

Suite 201  
Ganong Place  
73 Milltown Blvd.  
St. Stephen  
New Brunswick  
E3L 1G5  
Tel: (506) 466-3291  
Fax: (506) 466-6310

**Kingsbrae Horticultural Garden Inc.**  
**Statement of Operations**  
 Year Ended March 31, 1998

	General Fund		Capital	1998 <u>Total</u>	1997 <u>Total</u>
	<u>Operating</u>	<u>Special Design</u>	<u>Construction Fund</u>		
<b>Revenues</b>					
Private contributions	\$100,000	\$81,323	\$ 50,000	\$ 231,323	\$ 150,000
Public contributions			52,535	52,535	57,089
Town of St. Andrews			183,500	183,500	266,500
Provincial government			260,000	260,000	490,000
Trust fund	58,963			58,963	62,864
Employment programs			360,374	360,374	142,998
Investments			3,289	3,289	2,296
Other	<u>207</u>	<u>          </u>	<u>          </u>	<u>207</u>	<u>260</u>
	<u>159,170</u>	<u>81,323</u>	<u>909,698</u>	<u>1,150,191</u>	<u>1,172,007</u>
<b>Expenses</b>					
Advertising and promotion	1,553			1,553	3,113
Bank charges	807			807	394
Construction, design, and capital equipment		106,760	508,904	615,664	655,607
Heat, light, and power	10,322			10,322	7,594
Insurance	5,089			5,089	4,351
Maintenance and repair	8,022			8,022	7,212
Office supplies and stationery	7,529			7,529	8,207
Professional fees	3,246			3,246	3,322
Property taxes	20,925			20,925	
Salaries and benefits	89,255		437,670	526,925	322,049
Telephone and fax	5,479			5,479	4,562
Training	1,190			1,190	284
Travel	1,863			1,863	1,771
Vehicle	<u>5,165</u>	<u>          </u>	<u>          </u>	<u>5,165</u>	<u>2,892</u>
	<u>160,445</u>	<u>106,760</u>	<u>946,574</u>	<u>1,213,779</u>	<u>1,021,358</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$(1,275)</u>	<u>\$(25,437)</u>	<u>\$(36,876)</u>	<u>\$(63,588)</u>	<u>\$ 150,649</u>

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**Kingsbrae Horticultural Garden Inc.**  
**Statement of Changes in Fund Balances**  
Year Ended March 31, 1998

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	<u>General Fund</u>		<u>Capital</u>	<u>1998</u>	<u>1997</u>
	<u>Operating</u>	<u>Special</u> <u>Design</u>	<u>Construction</u> <u>Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ -	\$(81,323)	\$285,038	\$203,715	\$ 53,066
Excess of revenues over expenses (expenses over revenues)	<u>(1,275)</u>	<u>(25,437)</u>	<u>(36,876)</u>	<u>(63,588)</u>	<u>150,649</u>
Fund balances, end of year	<u>\$(1,275)</u>	<u>\$(106,760)</u>	<u>\$248,162</u>	<u>\$140,127</u>	<u>\$203,715</u>

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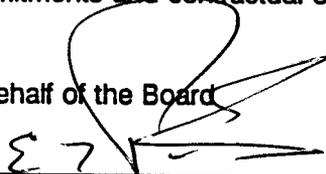
See accompanying notes to the financial statements.

**Kingsbrae Horticultural Garden Inc.**  
**Balance Sheet**  
 March 31, 1998

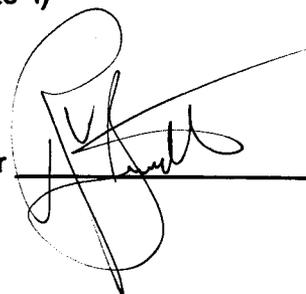
	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>1998 Total</u>	<u>1997 Total</u>
<b>Current assets</b>				
Cash	\$ (57,567)	\$168,357	\$110,790	\$ 32,357
Temporary investments, at cost (market value \$74,170)		73,836	73,836	170,135
Receivables	12,004	11,816	23,820	28,815
Prepays	<u>53</u>	<u>-</u>	<u>53</u>	<u>8,224</u>
	<u>\$ (45,510)</u>	<u>\$254,009</u>	<u>\$208,499</u>	<u>\$239,531</u>
<b>Current liabilities</b>				
Payables and accruals	<u>\$ 4,555</u>	<u>\$ 5,847</u>	<u>\$ 10,402</u>	<u>\$ 7,375</u>
Deferred contributions				
Deferred revenues (Note 3)	<u>57,970</u>	<u>-</u>	<u>57,970</u>	<u>28,441</u>
<b>Fund balances</b>				
Unrestricted	(1,275)	248,162	246,887	285,038
Unfunded special design requests	<u>(106,760)</u>	<u>-</u>	<u>(106,760)</u>	<u>(81,323)</u>
	<u>(108,035)</u>	<u>248,162</u>	<u>140,127</u>	<u>203,715</u>
	<u>\$ (45,510)</u>	<u>\$254,009</u>	<u>\$208,499</u>	<u>\$239,531</u>

Commitments and contractual obligations (Note 4)

On behalf of the Board

  
E. J. Smith

Director

  
J. Smith  
Director

See accompanying notes to the financial statements.

**Kingsbrae Horticultural Garden Inc.**  
**Statement of Changes in Financial Position**  
 Year Ended March 31, 1998

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>1998 Total</u>	<u>1997 Total</u>
Cash derived from (applied to)				
<b>Operating</b>				
Excess of revenues over expenses (expenses over revenues)	\$ (26,712)	\$ (36,876)	\$(63,588)	\$ 150,649
Change in non-cash operating working capital				
Receivables	12,550	(7,555)	4,995	89,625
Prepays	1,571	6,600	8,171	(5,657)
Payables and accruals	<u>(501)</u>	<u>3,528</u>	<u>3,027</u>	<u>(68,807)</u>
	<u>(13,092)</u>	<u>(34,303)</u>	<u>(47,395)</u>	<u>165,810</u>
<b>Financing</b>				
Deferred revenues	<u>29,529</u>	—	<u>29,529</u>	<u>28,441</u>
Increase (decrease) in cash	16,437	(34,303)	(17,866)	194,251
Cash and temporary investments				
Beginning of year	<u>(74,004)</u>	<u>276,496</u>	<u>202,492</u>	<u>8,241</u>
End of year	<u>\$ (57,567)</u>	<u>\$242,193</u>	<u>\$184,626</u>	<u>\$202,492</u>

See accompanying notes to the financial statements.

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# **Kingsbrae Horticultural Garden Inc.**

## **Notes to the Financial Statements**

**Year Ended March 31, 1998**

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### **1. Nature of operations**

Kingsbrae Horticultural Garden Inc. is an organization constructing and managing a horticultural garden with the intent of operating the garden for and on behalf of the Province of New Brunswick. Kingsbrae Horticultural Garden Inc. is incorporated under the Companies Act of New Brunswick as a not-for-profit organization. At March 31, 1998 the organization is still in its development stage with plans to officially open in mid July, 1998.

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### **2. Summary of significant accounting policies**

#### **Fund accounting**

Kingsbrae Horticultural Garden Inc. follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's operational and administrative activities. This fund reports the unrestricted and restricted operating resources.

The Capital Construction Fund reports only restricted resources that are to be used for constructing the garden and acquiring related facilities and equipment for and on behalf of the Province of New Brunswick.

#### **Revenue recognition**

Restricted contributions relating to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions relating to capital construction are recognized as revenue of the Capital Construction Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### **Contributed services**

Volunteers on a local advisory committee contribute several hours per week to assist Kingsbrae Horticultural Garden Inc. and provide input on various matters pertaining to construction and operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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**Kingsbrae Horticultural Garden Inc.**  
**Notes to the Financial Statements**  
Year Ended March 31, 1998

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**3. Deferred revenues**

The deferred revenues reported in the General Fund represent restricted funding received in the current and prior years for a use yet to be established.

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**4. Commitments and contractual obligation**

Kingsbrae Horticultural Garden Inc. has entered into an agreement to construct and operate a horticultural garden on behalf of the Province of New Brunswick ("Province"). This agreement provides the following:

Income earned from a \$1,000,000 gift made to and deposited by the Province to a special purpose account ("Trust fund") be paid to the organization for operating costs;

A gift or gifts up to \$450,000 to be made to and deposited by the Province, to be paid to the organization for capital construction;

The Town of St. Andrews ("Town") to borrow up to \$450,000, to be paid to the organization for capital construction;

The Province to pay up to \$900,000, on a matching basis, to the organization for capital construction;

An annual gift up to \$100,000 to be made to the Province, to be paid to the organization for annual operating deficiencies, if any;

The Town to pay water, sewer, garbage collection, snow removal and street maintenance services during the term of the loan for funds borrowed pursuant to this agreement;

The organization to pay the Town the loan payments less the amount of a grant by the Province to the Town in respect of municipal taxes assessed; and

The Province to pay the organization the lessor of \$25,000 and the above, except to the extent any excess revenue over expenses of the organization are to be paid to the Town.

The agreement further provides that in the event actual deficits for three consecutive years exceed projected deficits for those years, the Province may cease operations, repay the Town's indebtedness pursuant to this agreement, and retain all other funds.

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**FINANCIAL STATEMENTS**

**KINGS LANDING CORPORATION**

**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
Kings Landing Corporation  
Prince William, New Brunswick

I have audited the statement of financial position of Kings Landing Corporation as at 31 March 1998 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

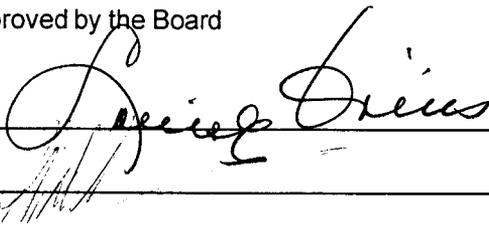
Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
9 June 1998

**KINGS LANDING CORPORATION  
STATEMENT OF FINANCIAL POSITION  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Accounts receivable		
Province of New Brunswick	\$ 18,784	\$ 45,724
Other	24,300	15,433
Prepaid expenses	16,482	10,760
Inventories (Note 1(d))	118,650	115,668
	<u>178,216</u>	<u>187,585</u>
Publications fund assets (Note 4)	<u>11,933</u>	<u>11,933</u>
Kings Landing Collection (Note 1 (e))	1	1
Capital assets, net (Note 1 (f))	<u>1,598,789</u>	<u>1,182,576</u>
	<u>\$ 1,788,939</u>	<u>\$ 1,382,095</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Bank overdraft and outstanding cheques	\$ 4,893	\$ 54,542
Accounts payable and accrued liabilities	199,554	176,941
Deferred revenue	21,930	26,463
	<u>226,377</u>	<u>257,946</u>
Deferred contributions related to capital assets (Note 1 (h))	<u>1,561,859</u>	<u>1,150,000</u>
Net assets		
Net assets internally restricted for publications (Note 4)	11,933	11,933
Net assets invested in capital assets	36,931	32,577
Unrestricted net assets	(48,161)	(70,361)
	<u>703</u>	<u>(25,851)</u>
	<u>\$ 1,788,939</u>	<u>\$ 1,382,095</u>

Approved by the Board



Chairperson

Member

**KINGS LANDING CORPORATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED 31 MARCH 1998**

	Budget 1998	Actual 1998	Actual 1997
<b>REVENUE</b>			
Admissions	\$ 300,000	\$ 260,395	\$ 261,456
Emporium	242,000	195,525	212,853
Food services	370,900	351,371	342,613
Education	77,100	71,026	75,780
Other operating revenue	46,300	80,783	73,076
	<u>1,036,300</u>	<u>959,100</u>	<u>965,778</u>
Grants			
Provincial Operating	1,363,100	1,472,071	1,356,873
Provincial Capital		96,400	122,000
Federal Operating		47,070	18,298
Amortization of deferred contributions (Note 1(h))		59,000	60,000
	<u>1,363,100</u>	<u>1,674,541</u>	<u>1,557,171</u>
	<u>2,399,400</u>	<u>2,633,641</u>	<u>2,522,949</u>
<b>EXPENSES</b>			
Interpretation			
Operations	517,700	539,798	507,914
Education	76,000	64,789	70,433
Fabrics	95,800	95,871	86,711
	<u>689,500</u>	<u>700,458</u>	<u>665,058</u>
Curatorial			
Maintenance (Note 1(e))	255,700	470,440	459,700
Security	141,700	151,384	140,893
Curatorial	202,200	205,388	165,235
	<u>599,600</u>	<u>827,212</u>	<u>765,828</u>
Emporium and visitor services	316,700	274,449	302,265
Public relations	220,500	222,428	225,448
Administration	256,000	252,753	257,361
Food services	339,900	329,787	315,881
	<u>2,422,200</u>	<u>2,607,087</u>	<u>2,531,841</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (22,800)</u>	<u>\$ 26,554</u>	<u>\$ (8,892)</u>

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**KINGS LANDING CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	<b>Net Assets Internally Restricted for Publications</b>	<b>Net assets invested in capital assets</b>	<b>Unrestricted Net Assets</b>	<b>Total 1998</b>	<b>Total 1997</b>
Balance, beginning of year	\$ 11,933	\$ 32,577	\$ (70,361)	\$ (25,851)	\$ (16,959)
Excess (deficiency) of revenue over expenses		(3,192)	29,746	26,554	(8,892)
Investment in Capital assets		7,546	(7,546)		
Balance, end of year	\$ 11,933	\$ 36,931	\$ (48,161)	\$ 703	\$ (25,851)

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies**

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**(a) General comments on operations**

Kings Landing Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation serves the people of New Brunswick and visitors to the province by operating a living historical village as a dynamic, progressive outdoor museum.

**(b) Accrual basis**

The financial statements are prepared using the accrual basis of accounting whereby revenues and expense are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected.

**(c) Revenue recognition**

Kings Landing Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**(d) Inventories**

Inventories are valued at the lower of cost and net realizable value, and comprise the following:

	1998	1997
Emporium	\$ 85,247	\$ 86,623
Less: Provision for obsolescence	(2,599)	(2,599)
	<hr/> 82,648	<hr/> 84,024
Fabrics	17,928	20,100
Food and liquor	9,113	8,865
Other	8,961	2,679
	<hr/> \$118,650	<hr/> \$115,668

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies - continued**

---

**(e) The Kings Landing Collection**

The Kings Landing Collection is composed of some 70 major historical structures and thousands of individual artifacts from the period between 1780 and 1900. The structures and artifacts are not replaceable as each piece represents a unique aspect of New Brunswick history. In recognition of this, the collection is valued at \$1 and individual pieces purchased by the Corporation are expensed in the year of acquisition. Similarly, costs of maintaining the collection are expensed as incurred. During the year, \$ 36,485 (1997 - \$4,330) was spent on additions to the collection and artifacts worth an estimated \$ 221,934 (1997 - \$78,504) were donated.

Expenditures related to capital improvements of the historical structures are expensed as incurred. The current year historical capital expenditures amounted to \$ 130,184 (1997 - \$ 110,350).

**(f) Other capital assets**

Purchased or contributed capital assets, except those of an historical nature, are recorded at cost or appraised value where cost is not determinable. Amortization is taken on capital assets on a straight line basis over the estimated useful life of the assets.

Amortization charged for the current year amounted to \$ 62,192 (1997 - \$ 61,298). This amount has been allocated to the appropriate expense categories in the statement of operations.

Kings Landing Corporation has 91.5 acres of land spread on both sides of the St. John River. Approximately 40 acres are used for site purposes. Because its purpose is to serve as a site for the collection, the land has been recorded at a value of \$1.

Details of capital assets are as follows:

	<b>Amortization Rate</b>	<b>1998</b>	<b>1997</b>
Land		\$ 1	\$ 1
Buildings	5%	1,704,373	1,225,968
Equipment and Furniture	20%	59,916	59,916
Automotive equipment	20%	51,868	51,868
		<hr/> 1,816,158	<hr/> 1,337,753
Less: Accumulated amortization		217,369	155,177
Total capital assets, net		<hr/> \$1,598,789	<hr/> \$ 1,182,576

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies – continued**

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**(g) Contributed services**

Volunteers contribute about 8,000 hours per year to assist Kings Landing Corporation in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**(h) Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent capital assets which are not part of the historical collection and were donated to Kings Landing Corporation. The changes in the deferred contributions balance of the period are as follows:

	1998	1997
Beginning balance	\$1,150,000	\$1,210,000
Add contributed assets	470,859	-
	<hr/> 1,620,859	<hr/> 1,210,000
Less amounts amortized to revenue	59,000	60,000
Ending balance	<hr/> \$1,561,859	<hr/> \$1,150,000

**2. Changes in accounting policies**

---

In compliance with generally accepted accounting principles now in effect for not-for-profit organizations, Kings Landing Corporation proceeded with major changes in its accounting policies commencing 1 April 1997 and applied retroactively to 1 April 1996 as follows:

**(a) Accruals for future benefit payments owed**

A liability of \$99,614 was recorded at the beginning of the fiscal 1997 year for the total future benefit payments to an injured employee. Payments of \$26,788 in 1998 (\$23,810 in 1997) were applied against this payable.

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**2. Changes in accounting policies - continued**

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**(b) Fixed assets capitalization**

Fixed assets are capitalized at cost and amortized over their estimated useful life. A total of \$470,859 in 1998 (\$1,210,000 in 1997) was recorded as capital assets. These transactions have no effect on the excess of revenue over expenses amount in the statement of operations.

**(c) Deferred contributions**

Grants and other revenue sources related to the purchase of capital assets are deferred and amortized at the same rate as their respective capital asset. A total of \$470,859 in 1998 (\$1,210,000 in 1997) was recorded as deferred revenue. These transactions have no effect on the excess of revenue over expenses amount in the statement of operations.

**(d) Netting rules**

All transactions are recorded at their full value. These financial statements are presented with no netting of expenses against revenue. A total of \$150,298 in 1998 (\$146,605 in 1997) was reclassified as revenue and expenses. These transactions have no effect on the excess of revenue over expenses amount in the statement of operations.

**3. Income tax status**

---

The Corporation is a registered charitable organization under the Income Tax Act and is able to issue donation receipts for income tax purposes. In order to maintain its status, the Corporation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**4. Restrictions on net assets**

---

The publications fund was established in 1977 and represents amounts set aside for purposes of publication of approved historical literature. The fund assets represent books held for sale to the public.

**5. Statement of cash flows**

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This statement was not prepared as the information it would contain was considered not significant.



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FINANCIAL STATEMENTS

**LOTTERIES COMMISSION OF NEW BRUNSWICK**

31 MARCH 1998

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Members of the  
Lotteries Commission of New Brunswick

I have audited the balance sheet of the Lotteries Commission of New Brunswick as at 31 March 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
12 June 1998

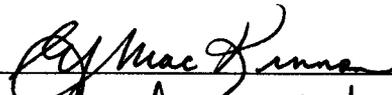
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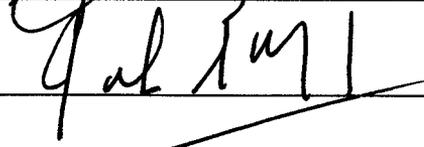
**LOTTERIES COMMISSION OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 1998**

---

	1998	1997
<b>ASSETS</b>		
<hr/>		
Current assets		
Due from Atlantic Lottery Corporation Inc.	\$ 7,685,156	\$ 7,023,844
Other assets		
Investment in share capital of Atlantic Lottery Corporation Inc.	100	100
Investment in share capital of Interprovincial Lottery Corporation	1	1
	<hr/> 101	<hr/> 101
	<hr/> <b>\$ 7,685,257</b>	<hr/> <b>\$ 7,023,945</b>
<hr/>		
<b>LIABILITIES AND CONTRIBUTED SURPLUS</b>		
<hr/>		
Current liabilities		
Due to Province of New Brunswick (Note 4)	\$ 7,685,156	\$ 7,023,844
Contributed surplus (Note 2)	101	101
	<hr/> \$ 7,685,257	<hr/> \$ 7,023,945
	<hr/>	<hr/>

Approved by the Commission

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1998**

---

	1998 Budget	1998	1997
<b>REVENUE</b>			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 104,281,400	\$ 85,841,879	\$ 87,025,938
Other revenue (Note 3)	-	28,720	18,509
	<u>104,281,400</u>	<u>85,870,599</u>	<u>87,044,447</u>
<b>EXPENDITURE</b>			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	92,000,000	73,499,011	75,295,532
Environmental Trust Fund	10,000,000	10,000,000	10,000,000
Sport Development Trust Fund	400,000	400,000	400,000
Arts Development Trust Fund	400,000	400,000	400,000
Agreements with First Nations	-	160,686	202,336
Expenses for video game inspection	549,100	863,376	544,743
Administrative costs	175,300	148,533	201,836
Department of Health and Community Services (Gambling addiction; education and treatment)	757,000	398,993	-
	<u>104,281,400</u>	<u>85,870,599</u>	<u>87,044,447</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

---

**1. Summary of significant accounting policies**

---

**New Brunswick's share of Atlantic Lottery Corporation Inc. profit**

Operational costs attributable to all provinces are subtracted from total revenues of Atlantic Lottery Corporation Inc. The remaining profits are allocated to the individual provinces on the basis of each province's portion of net sales. Net sales are defined as the province's gross sales less sales discounts and prizes for the province. Expenses separable and specific to the individual province are then subtracted and the balance is paid to the province.

**Payments to the Province of New Brunswick**

The Lotteries Commission of New Brunswick remits the profits it receives from Atlantic Lottery Corporation Inc. to the Province of New Brunswick. The profits from certain types of lotteries have been designated as revenue for specific trust funds operated by the Province of New Brunswick. Annual lottery profits designated for the Arts and Sport Development Trust Funds have each been set by the Province at a minimum of four hundred thousand dollars. Video lottery profits paid annually to the Environmental Trust Fund have been capped by the Province at ten million dollars.

The Lotteries Act provides that the First Nations may be paid 95% of all profits received from the Atlantic Lottery Corporation Inc. for the operation of video lottery on reserves having agreements with the Province. Where these agreements are in place the Province also rebates all provincial earnings from the sale of breakopen tickets sold on reserves. As of 31 March 1998, five First Nations bands have signed agreements: Fort Folley, Oromocto, Woodstock, St. Mary's and Burnt Church.

**Investments**

The New Brunswick government does not operate any lottery but the Province is a shareholder in Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. Atlantic Lottery Corporation Inc. is a jointly-owned corporation of the four Atlantic provinces and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. Atlantic Lottery Corporation Inc. also markets and handles regionally the products of the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is a corporation jointly owned by the ten Canadian provinces.

The investments in Atlantic Lottery Corporation Inc. and Interprovincial Lottery Corporation are carried at cost. Net profits of these corporations are distributed annually to the shareholders.

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

---

**2. Contributed surplus**

---

This amount represents funds paid by the Province of New Brunswick on behalf of the Lotteries Commission of New Brunswick to Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

**3. Other revenue**

---

The Province of New Brunswick requires that charitable/non-profit groups pay a small fee for their licenses for gaming activities such as bingo, raffles etc. Fines issued under the Lotteries Act relating to the video lottery program are also included in this account.

**4. Statement of transactions with the Province of New Brunswick**

---

	1998	1997
Current liability		
Balance, beginning of year	\$ 7,023,844	\$ 7,306,971
Income for the year	85,841,879	87,025,938
Decrease (increase) in long-term liability in the year	-	511,616
	<hr/>	<hr/>
Funds available to Province of New Brunswick	92,865,723	94,844,525
Less remittances during the year	85,180,567	87,820,681
Balance, end of year	<u>\$ 7,685,156</u>	<u>\$ 7,023,844</u>

**5. Contingency**

---

Claims have been made against the Lotteries Commission of New Brunswick by another organization for breach of contract. The claims are for damages and loss of profits relating to the Commission's termination of a contract for the supply and distribution of breakopen lottery tickets. The courts have found in favour of the Lotteries Commission but the claims are now before the court of appeal.

It is not possible to determine the amount of the settlement of the above court action. Any settlement resulting from this court action will be accounted for as a charge or credit to income in the period in which the settlement occurs.

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**FINANCIAL STATEMENTS**  
**NB AGRIEXPORT INC.**

**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
NB AGRIEXPORT INC.

I have audited the balance sheet of NB AGRIEXPORT INC. as at 31 March 1998 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
26 August 1998

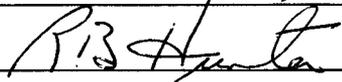
**NB AGRIEXPORT INC.  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 786,439	\$ 62,796
Accounts receivable	436,296	86,425
	<u>\$ 1,222,735</u>	<u>\$ 149,221</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 53,979	\$ 43,891
Due to Province of New Brunswick	1,300,000	300,000
	<u>1,353,979</u>	<u>343,891</u>
<b>Capital stock</b>		
Authorized and issued:		
One common share, no par value	-	-
Deficit	(131,244)	(194,670)
	<u>\$ 1,222,735</u>	<u>\$ 149,221</u>

Approved by the Board



Director



Director

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**NB AGRIEXPORT INC.  
STATEMENT OF INCOME AND DEFICIT  
FOR THE YEAR ENDED 31 MARCH 1998**

---

	1998	1997
Export sales	\$ 382,403	\$ 268,436
Cost of sales	379,534	479,253
Gross profit (loss)	<u>2,869</u>	<u>(210,817)</u>
Other income		
Loan guarantee fees	15,000	11,250
Interest	40,052	926
Grant from Province of New Brunswick	-	10,000
Administration fees	14,550	-
Other	8,223	-
	<u>77,825</u>	<u>22,176</u>
Total Income (loss)	<u>80,694</u>	<u>(188,641)</u>
Expenses		
Office expenses	2,206	4,095
Travel expenses	13,878	1,765
Interest	212	169
Penalty	972	-
	<u>17,268</u>	<u>6,029</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>63,426</b>	<b>(194,670)</b>
Deficit, beginning of year	<u>(194,670)</u>	<u>-</u>
<b>DEFICIT, end of year</b>	<b><u>\$ (131,244)</u></b>	<b><u>\$ (194,670)</u></b>

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**NB AGRIEXPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Description of operations**

---

NB AGRIEXPORT INC. was established on 23 May 1996 under the Business Corporations Act of the Province of New Brunswick.

The Corporation is wholly owned by the Province of New Brunswick and has as its mandate: to provide a focal point for the Department of Agriculture and Rural Development's international market development efforts; to facilitate exporters' access to international markets; and to help exporters manage the risks of international marketing.

The administration of the Corporation's affairs is carried out by employees of the Province of New Brunswick under the direction of the Corporation's Board of Directors. All costs associated with these employees are paid by the Province.

**2. Contingencies**

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a) Guaranteed loans

The Corporation has guaranteed loans of certain companies involved in the export of agricultural products. At 31 March 1998, the contingent liability in respect of these guarantees was \$1,000,000. Any resulting losses will be borne by the Province of New Brunswick.

b) Legal actions

The Corporation is taking legal action against one of its suppliers to recover a deposit of \$56,826 paid for services relating to a sales contract that was cancelled. The supplier has filed a counterclaim against NB AGRIEXPORT INC. for \$114,085.

The Corporation is also taking legal action against Agriculture Canada to recover losses incurred when a sales contract with a third party was cancelled. The Corporation feels that the cancellation was as a direct result of negligence on the part of Agriculture Canada. The total loss being claimed by the Corporation is \$160,402.

As at the date of completion of these financial statements, management and counsel are unable to provide estimates on the outcome of either of these claims.

**3. Statement of cash flows**

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This statement was not prepared as the information it would contain was considered not significant.



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION**

**31 DECEMBER 1997**

---

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Directors of the  
New Brunswick Credit Union Deposit Insurance Corporation

I have audited the balance sheet of the New Brunswick Credit Union Deposit Insurance Corporation as at 31 December 1997 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'D. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
26 January 1998

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
BALANCE SHEET  
31 DECEMBER 1997**

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	1997	1996
<b>ASSETS</b>		
Cash	\$ 10,097	\$ 11,736
Accounts receivable	33	-
	<u>\$ 10,130</u>	<u>\$ 11,736</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 26
Advances - stabilization boards (Note 2)	10,130	11,710
	<u>\$ 10,130</u>	<u>\$ 11,736</u>

Approved by the Board



Chairperson



Director

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 DECEMBER 1997**

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	1997 Budget	1997	1996
<b>REVENUE (Note 2)</b>			
Contributions - stabilization boards	\$ 16,000	\$ 1,580	\$ 8,317
<b>EXPENDITURE (Note 2)</b>			
Communications and other	8,500	641	4,845
Board of Directors	7,500	939	3,472
	<u>16,000</u>	<u>1,580</u>	<u>8,317</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1997**

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**1. Authority and objective**

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The Corporation is an independent entity created under the provisions of the *Credit Unions Act* proclaimed on 31 January 1994. The mandate of the Corporation is to provide deposit insurance to members of credit unions in New Brunswick for the amount prescribed by regulations. The Corporation may also assist stabilization boards in providing financial assistance to credit unions.

The *Credit Unions Act* provides that the Corporation may levy credit unions for the funds required to carry out its mandate. The Act also provides that costs incurred in relation to the activities of the Corporation shall be assumed by the stabilization boards when they are requested to do so. Finally the Corporation may apply to the Province for loans or guarantees.

The affairs of the Corporation are administered by a Board of Directors of five persons. The Superintendent of credit unions responsible for the administration of the *Credit Unions Act* is the Chairperson of the Board. Each stabilization board appoints two representatives to the Board of Directors of the Corporation.

**2. Significant accounting policies**

---

The Corporation receives advances from the stabilization boards to cover its expenses. The Corporation records portions of the advances as revenue when expenses are incurred. An advance of \$15,000 was received during 1996. The remaining balance of \$10,130 is recorded as a liability on the balance sheet.

The Corporation operates as a separate entity within the Credit Unions, Co-operatives and Trust Companies Branch of the Department of Justice. As such the Branch assumes the salary and some overhead costs which relate to the administration of the Corporation. Those costs are reflected in the expenditures of the Branch and are not recovered from the Corporation.

**3. Deposit protection for credit union members**

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As described in Note 1 it is the mandate of the Corporation to provide deposit insurance coverage for members of credit unions in New Brunswick. Currently, a maximum basic coverage of \$60,000 is provided for insured deposits of each member of a credit union. Separate deposit coverage up to a maximum of \$60,000 each is also provided for joint deposits, trust deposits and deposits held in RRSPs and in RRIFs.

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1997**

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**3. Deposit protection for credit union members - (continued)**

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The current legislation provides for the continued existence of two stabilization boards which have operated in the province since 1978. Each stabilization board has established a stabilization fund which is available to provide financial assistance to the affiliated credit unions. As at 31 October 1997, l'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée reported unaudited net assets of \$31.8 million. Of this total, an amount of \$1.5 million represents investments in caisses populaires for the purpose of stabilization. As at 30 September 1997 the Brunswick Credit Union Federation Stabilization Board Limited reported unaudited net assets of \$7.7 million. Each stabilization board is responsible to carry out inspections and monitor the financial condition and business practices of the member credit unions on an ongoing basis.

Both the stabilization boards and the Corporation have responsibilities for the protection of deposits of credit union members. This common objective requires close cooperation between the stabilization boards and the Corporation in the development of policy to fulfil the mandate of the respective organizations.

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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK CROP INSURANCE**  
**COMMISSION**  
**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairman and Members of the  
New Brunswick Crop Insurance Commission

I have audited the balance sheet of the New Brunswick Crop Insurance Commission as at 31 March 1998 and the statements of revenue and expense, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
30 September 1998

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Accounts receivable		
Province of New Brunswick	\$ 54,425	\$ 73,666
Canada	99,986	375,721
Crop Reinsurance Fund of New Brunswick	-	258,968
Crop Reinsurance Fund of Canada for New Brunswick	-	994,069
Insured producers - crop insurance	-	3,988
- crop insurance component of GRIP	-	10,762
- revenue protection component of GRIP	-	37,607
Other	22,525	29,070
	<u>176,936</u>	<u>1,783,851</u>
Prepaid expenses - New Brunswick	52,405	23,738
- Canada	52,405	23,738
Reserve Fund (Note 2)	1,442,722	480,423
	<u>\$1,724,468</u>	<u>\$2,311,750</u>

**LIABILITIES AND SURPLUS**

Accounts Payable		
Indemnities - crop insurance	\$ 642,024	\$1,999,270
Crop Reinsurance Fund of New Brunswick	39,869	27,024
Crop Reinsurance Fund of Canada for New Brunswick	162,086	54,614
	<u>843,979</u>	<u>2,080,908</u>
Advance from Province of New Brunswick - revenue protection (Note 4)	-	384,048
	<u>843,979</u>	<u>2,464,956</u>
Deferred revenue (Note 5)	209,045	158,255
Surplus (Deficit)	671,444	(311,461)
	<u>\$1,724,468</u>	<u>\$2,311,750</u>

Approved by the Commission

Georges Bourgeois Chairman

Jeanne Dujardin Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998	1997
<b>REVENUE</b>		
Premiums from producers - crop insurance (Schedule A)	\$1,795,451	\$2,112,664
Premium contributions		
- Province of New Brunswick	897,726	1,056,332
- Canada	897,726	1,056,332
Total Premiums	3,590,903	4,225,328
Contributions for administration		
- Province of New Brunswick	568,764	594,882
- Canada	568,764	594,882
Contribution from Reinsurance Funds (Note 3)		
- New Brunswick	-	275,206
- Canada for New Brunswick	-	(3,133)
Interest - from producers	14,014	15,949
	4,742,445	5,703,114
<b>EXPENSE</b>		
Indemnities - crop insurance (Schedule B)	1,466,582	3,228,128
- crop insurance previous crop years	169,381	12,249
Administration (Schedule C)	1,137,528	1,189,764
Crop Reinsurance Fund of New Brunswick	628,408	633,799
Crop Reinsurance Fund of Canada for New Brunswick	628,408	633,799
Other	113,281	5,501
	4,143,588	5,703,240
Excess (deficiency) of revenue over expense before special contribution	598,857	(126)
Special contribution (Note 4)	384,048	886,771
<b>EXCESS OF REVENUE OVER EXPENSE FOR THE YEAR</b>	<b>\$ 982,905</b>	<b>\$ 886,645</b>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
Deficit, beginning of year	\$ (311,461)	\$(1,198,106)
Excess of revenue over expense for the year	982,905	886,645
<b>SURPLUS (DEFICIT), END OF YEAR</b>	<b>\$ 671,444</b>	<b>\$ (311,461)</b>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations		
Excess of revenue over expense for the year	\$ 982,905	\$ 886,645
Decrease in accounts receivable	1,606,915	1,124,309
Decrease in accounts payable	(1,236,929)	(1,696,276)
Increase in deferred revenue	50,790	7,181
Decrease (increase) in reserve fund	(962,299)	384,584
Decrease (increase) in prepaid expenses	(57,334)	(2,154)
Cash provided by operations	<u>384,048</u>	<u>704,289</u>
Financing activities		
Increase (decrease) in advance from the Province of New Brunswick	(384,048)	3,130
Increase (decrease) in the advance from Canada	-	(707,419)
Cash provided by (used for) financing activities	<u>(384,048)</u>	<u>(704,289)</u>
<b>CASH POSITION AT BEGINNING AND AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1998**

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**1. Description of operations**

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The Crop Insurance Act, assented to on 10 June 1966, serves as the basis for the establishment of the Commission. Regulation 83-29 under the Act establishes the Commission and sets out its powers and duties.

The Commission is responsible for administering the delivery to producers of a crop insurance plan to provide insurance protection against losses of production. This plan is funded through producer premiums and through contributions from the Province of New Brunswick and the Government of Canada.

All accounting transactions are recorded through the Consolidated Fund of the Province of New Brunswick. Administrative expenses provided by the Province are allocated to the Commission.

**2. Reserve Fund**

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Under the terms of the Federal-Provincial Agreement a reserve fund must be maintained for the crop insurance plan. All insurance premiums received, including the premium contributions of both governments, are put in the reserve fund. These premiums are used first to pay premiums to the Crop Reinsurance Fund of Canada for New Brunswick and to the Crop Reinsurance Fund of New Brunswick and then to pay indemnities to producers. Any remaining excess is to be set aside in the reserve fund to pay future years' indemnities.

**3. Revenue - Province of New Brunswick and Government of Canada**

---

**(a) Premium contributions**

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums in respect of the policies of insurance sold for the 1997 crop year are as follows:

Producer	50%
New Brunswick	25%
Canada	25%
	100%

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**3. Revenue - Province of New Brunswick and Government of Canada - continued**

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**(b) Administrative expense contributions**

The Province of New Brunswick and Canada each pay 50% of all administrative costs incurred in the implementation of the crop insurance program.

**(c) Crop Reinsurance Funds**

On an annual basis a reinsurance premium of 17.5% (15% - 1997) of total crop insurance premiums is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

<b>Crop Reinsurance Fund of Canada for New Brunswick</b>	1998	1997
Excess of claims over premiums, 1 April	\$8,117,826	\$8,754,758
Adjustments relating to prior periods	(215,212)	-
Reconciled balance	7,902,614	8,754,758
Premiums submitted	(628,408)	(633,799)
Write off per Deficit Reduction Companion Agreement	(3,641,973)	-
Contributions	-	(3,133)
Excess of claims over premiums, 31 March	\$3,632,233	\$8,117,826

<b>Crop Reinsurance Fund of New Brunswick</b>	1998	1997
Excess of claims over premiums, 1 April	\$4,449,773	\$4,808,366
Adjustments related to prior periods	215,212	-
Reconciled balance	4,664,985	4,808,366
Write off by the Province	(4,664,985)	-
Premiums submitted	(628,408)	(633,799)
Contributions	-	275,206
Excess (deficiency) of claims over premiums, 31 March	\$(628,408)	\$4,449,773

The Province of New Brunswick agreed to write off the deficit related to the Crop Reinsurance Fund of New Brunswick in the amount of \$4,664,985. As well, the Federal Government agreed to contribute \$3,641,973 to reduce the deficit in the Crop Reinsurance Fund of Canada for New Brunswick through the Deficit Reduction Companion Agreement.

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**4. Special contribution**

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The 1995 crop year was the last year of the Gross Revenue Insurance Program. During the 1997 fiscal year the Province of New Brunswick and the Government of Canada negotiated a settlement relating to the federal advances to fund this program. In 1998, the Province of New Brunswick forgave its balance relating to this program in the amount of \$384,048.

**5. Deferred revenue**

---

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums for the 1998 crop year are as follows:

Coverage Level	Producer Share	Province Share	Federal Share
50%	Free	50%	50%
65%	50% of buy up	25% of buy up	25% of buy up
80%	80% of incremental buy up	10% of incremental buy up	10% of incremental buy up

**6. Comparative figures**

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The prior year's figures have been restated where necessary to conform with the presentation adopted for the current fiscal year.

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**SCHEDULE A****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF PRODUCER PREMIUMS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
Potatoes	\$1,629,449	\$1,894,553
Spring grain	60,414	66,313
Apples	33,982	33,489
Blueberries	44,531	41,783
Strawberries	27,075	29,396
Tomatoes	-	47,130
	<hr/> \$1,795,451	<hr/> \$2,112,664

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**SCHEDULE B****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF INDEMNITIES  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
Potatoes	\$1,186,109	\$3,037,557
Spring Grain	56,848	76,969
Apples	24,116	51,314
Blueberries	80,323	27,431
Strawberries	119,186	34,857
	<hr/> \$1,466,582	<hr/> \$3,228,128

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**SCHEDULE C****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
Personnel	\$671,922	\$ 645,930
Information costs	6,481	12,059
Transportation & communication	108,685	97,796
Utilities, material & supplies	13,999	7,147
Professional services	222,905	325,244
Repairs & maintenance	9,169	790
Office accommodations	49,591	36,759
Capital equipment	17,648	10,606
Other	37,128	53,433
	<hr/> \$1,137,528	<hr/> \$1,189,764

# New Brunswick

**GEOGRAPHIC INFORMATION CORPORATION**

**Financial Statements**

**March 31, 1998**

**MANAGEMENT REPORT**

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

It is the responsibility of the Board to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. Upon the recommendation of the Finance Committee, these financial statements have been approved by the Board of the Corporation.



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Robert W. Gamble, CMA, FCMA  
President



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Carol Macdonald, CA  
Vice President Corporate Services

Fredericton, N B Canada  
June 22, 1998

**AUDITORS' REPORT**

To the Members of the Board:

We have audited the balance sheet of the New Brunswick Geographic Information Corporation as at March 31, 1998 and the statements of income and changes in equity and financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

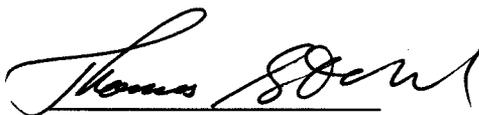
Fredericton, N B Canada  
June 22, 1998

  
\_\_\_\_\_  
KPMG  
Chartered Accountants

**BALANCE SHEET**  
As at March 31, 1998

	1997/98	1996/97 (As restated)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 6,042,113	\$ 3,137,226
Accounts receivable (Note 5)	2,253,872	1,731,739
Prepaid expenses	937,401	73,019
	9,233,386	4,941,984
<b>LONG TERM ASSETS</b>		
Accounts receivable (Note 5)	611,215	-
Equipment and leasehold improvements (Note 6)	3,714,757	2,507,153
Intangible assets (Note 6)	8,737,416	8,202,465
	13,063,388	10,709,618
	<b>\$22,296,774</b>	<b>\$15,651,602</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,502,666	\$ 2,292,864
Deferred revenue	244,359	221,186
Deferred liability (Note 4)	263,873	213,938
	6,010,898	2,727,988
<b>LONG TERM LIABILITIES</b>		
Deferred government assistance (Note 3)	5,425,445	4,190,500
Deferred liability (Note 4)	1,598,943	1,862,816
	7,024,388	6,053,316
<b>EQUITY</b>	9,261,488	6,870,298
	<b>\$22,296,774</b>	<b>\$15,651,602</b>

Commitments Note 7



Thomas G. O'Neil  
Chairman



Robert W. Gamble  
President

**STATEMENT OF INCOME**  
For the year ended March 31, 1998

	1997/98	1996/97 (As restated)
<b>REVENUES</b>		
Provincial services	\$17,267,322	\$13,767,110
Municipal services	5,547,669	5,152,000
Registration fees	5,829,129	5,776,953
Map and data sales	1,243,311	1,157,330
Other	1,623,093	613,721
Interest	322,693	285,527
	<b>31,833,217</b>	<b>26,752,641</b>
<b>EXPENSES</b>		
Personnel services	\$20,131,967	\$19,040,443
Other services	6,861,664	5,069,070
Materials and supplies	425,926	424,406
Amortization	2,017,082	1,812,936
Other	5,388	7,832
	<b>29,442,027</b>	<b>26,354,687</b>
<b>NET INCOME(LOSS)</b>	<b>\$ 2,391,190</b>	<b>\$ 397,954</b>

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended March 31, 1998

	1997/98	1996/97 (As restated)
<b>OPENING EQUITY</b>		
As previously reported	\$2,427,934	\$2,374,058
Adjustment for change in accounting policy (Note 3)	4,219,118	3,961,209
Adjustment for recognition of liability (Note 4)	223,246	137,077
As restated	6,870,298	6,472,344
<b>ADD:</b>		
Net income(loss)	2,391,190	397,954
<b>ENDING EQUITY</b>	<b>\$9,261,488</b>	<b>\$6,870,298</b>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
For the year ended March 31, 1998

	1997/98	1996/97 (As restated)
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net income(loss) for the year	\$ 2,391,190	\$ 397,954
Items not involving cash:		
Amortization	2,017,082	1,812,936
Change in non-cash working capital	1,896,395	(806,381)
	<b>6,304,667</b>	<b>1,404,509</b>
<b>Financing:</b>		
Increase in deferred government assistance	1,234,945	440,500
Increase(decrease) in deferred liability	(263,873)	(213,938)
Decrease(increase) in long term accounts receivable	(611,215)	-
	<b>359,857</b>	<b>226,562</b>
<b>Investments:</b>		
Additions to equipment and leasehold improvements	(2,149,376)	(940,850)
Additions to intangible assets	(1,610,261)	(1,583,223)
Proceeds from disposal of equipment	-	12,728
	<b>(3,759,637)</b>	<b>(2,511,345)</b>
<b>Increase (decrease) in cash</b>	<b>2,904,887</b>	<b>(880,274)</b>
<b>Cash, beginning of year</b>	<b>3,137,226</b>	<b>4,017,500</b>
<b>Cash, end of year</b>	<b>\$ 6,042,113</b>	<b>\$ 3,137,226</b>

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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 1998

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**1. NEW BRUNSWICK GEOGRAPHIC INFORMATION CORPORATION**

New Brunswick Geographic Information Corporation is a Crown Corporation established under the *New Brunswick Geographic Information Corporation Act*. Its mandate is:

- to provide and coordinate geographic information services to the Province of New Brunswick and the public, including an assessment base for real property taxation and registration systems for real and personal property;
- to promote the development of the private sector geomatics industry in New Brunswick, and
- to provide one-stop multi-channel delivery of public and private products and services.

An *Act to Amend the New Brunswick Geographic Information Corporation Act* was proclaimed on April 1, 1998. The New Brunswick Geographic Information Corporation is continued as a body corporate under the name Service New Brunswick. The change in the name of the Corporation does not affect the rights and obligations of the Corporation and all proceedings may be continued or commenced by or against the Corporation under its new name that might have been continued or commenced by or against the Corporation under its former name.

**2. ACCOUNTING POLICIES**

**General**

Generally accepted accounting principles (GAAP) are followed by the Corporation.

**Capital Assets**

Amortization is computed on a straight-line basis on original cost with rates as follows:

Databases and development	10 years
Furniture and equipment	10 years
Leasehold improvements	10 years
Computers and software	5 years

No valuation has been made for assets transferred into the Corporation at inception or on the transfer of responsibility for Service New Brunswick.

**Temporary Investments**

Temporary investments are recorded at the lower of cost or net realizable value.

**Assistance from Government**

Government assistance is shown on the Balance Sheet as a Deferred Liability and amortized to revenue on a straight-line basis over 5 or 10 years depending on the type of assets the funds were used to purchase.

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### 3. ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY

During the year, the Corporation revised its accounting policy, in accordance with generally accepted accounting principles, to capitalize equipment, leasehold improvements and intangible assets and recognize amortization on a straight-line basis. This new accounting policy has been applied retroactively with restatement of prior periods.

The result of this change is as follows:

	<u>Cumulative to 1996</u>	<u>Year Ended 1997</u>	<u>Year Ended 1998</u>
Assets capitalized	\$ 12,204,603	\$ 2,511,345	\$ 3,759,637
Amortization	(4,493,394)	(1,812,936)	(2,017,082)
Deferred government assistance	<u>(3,750,000)</u>	<u>(440,500)</u>	<u>(1,234,945)</u>
	<u>\$ 3,961,209</u>	<u>\$ 257,909</u>	<u>\$ 507,610</u>
Deferred Liability	<u>\$ 137,077</u>	<u>\$ 86,169</u>	<u>\$ 213,938</u>
Net Income (Loss)	<u>\$ 4,098,286</u>	<u>\$ 344,078</u>	<u>\$ 721,548</u>

### 4. RECOGNITION OF PRIOR YEARS' LIABILITY

The Corporation entered into an agreement in 1995 to pay \$2,300,000 to the developer of one of its major systems over a five-year period ending November 2000. Payments are made based on transaction volumes with all outstanding amounts payable by the ending date. This liability was previously recognized only as a note to the financial statements.

During the year, as part of its adoption of capitalizing intangible assets, the Corporation recorded the \$2,300,000 asset and corresponding liability with payments being recorded as a reduction in the liability. This change has been applied retroactively with restatement of prior periods. (Note 3)

The following are future minimum payments for the years ended:

1999	\$ 263,873
2000	262,500
2001	<u>1,336,443</u>
	<u>\$ 1,862,816</u>

## 5. ACCOUNTS RECEIVABLE

	<u>Year Ended 1998</u>	<u>Year Ended 1997</u>
<b>Current</b>		
Receivables from non-related entities		
• trade	\$ 657,864	\$ 476,094
• software sales	138,417	-
Receivables from related entities	<u>1,457,591</u>	<u>1,255,645</u>
	<u>\$ 2,253,872</u>	<u>\$ 1,731,739</u>
<b>Long Term</b>		
Receivables from non-related entities		
• software sales	<u>\$ 611,215</u>	<u>\$ -</u>

## 6. CAPITAL ASSETS

	<u>Year Ended 1998</u>			<u>Year Ended 1997</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
<b>Equipment and Leasehold Improvements</b>				
Computers and software	\$ 6,031,165	\$ 3,559,869	\$ 2,471,296	\$ 1,531,199
Furniture and equipment	1,141,825	415,903	725,922	535,430
Leasehold Improvements	<u>841,225</u>	<u>323,686</u>	<u>517,539</u>	<u>440,524</u>
	<u>\$ 8,014,215</u>	<u>\$ 4,299,458</u>	<u>\$ 3,714,757</u>	<u>\$ 2,507,153</u>
<b>Intangible Assets</b>				
Databases and development	\$ 12,739,733	\$ 4,002,317	\$ 8,737,416	\$ 8,202,465

## 7. LEASE COMMITMENTS

The following are future minimum payments for leased premises and equipment for the years ended:

1999	\$ 1,410,269
2000	883,356
2001	678,528
2002	471,834
2003	<u>424,505</u>
	<u>\$ 3,868,492</u>

## 8. COMPARATIVE FIGURES

Certain 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.

**9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. And, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. While management believes that an adequate strategy is in place, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK HIGHWAY CORPORATION**  
**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
New Brunswick Highway Corporation  
Fredericton, New Brunswick

I have audited the balance sheet of the New Brunswick Highway Corporation as at 31 March 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
24 July 1998

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**NEW BRUNSWICK HIGHWAY CORPORATION  
BALANCE SHEET  
31 MARCH 1998**

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1998

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**ASSETS**

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Accounts receivable (Note 4)	\$5,007,761
Land (Note 3)	<u>1</u>
	<u>\$5,007,762</u>

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**LIABILITIES AND EQUITY**

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Due to Province of New Brunswick	\$5,007,761
Contribution from the Province of New Brunswick (Note 3)	<u>1</u>
	<u>\$5,007,762</u>

Approved by the Board



Chairperson



Member

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**NEW BRUNSWICK HIGHWAY CORPORATION  
STATEMENT OF REVENUE AND EXPENDITURE  
31 MARCH 1998**

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**1998**

**REVENUE**

New Brunswick (F-M) Project Company Inc. (Note 4)

\$97,387,761

\$97,387,761

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**EXPENDITURE**

Crown completed highway construction (Note 4)

\$97,387,761

\$97,387,761

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. New Brunswick Highway Corporation**

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The New Brunswick Highway Corporation (NBHC) is a provincial Crown Corporation incorporated by an Act of the New Brunswick Legislature effective 29 March 1995.

NBHC is the signatory for the Province in all agreements relating to the Fredericton-Moncton highway project. As such, NBHC is responsible for monitoring, controlling and administering those agreements to ensure that agreement terms are respected by other signatories and that provincial commitments are met. This includes ensuring that the construction of the highway and any required refurbishments are completed as required in those agreements. It also includes ensuring that the ongoing operation, management, and maintenance of the Fredericton-Moncton highway are conducted in accordance with agreement terms.

**2. Fredericton-Moncton Highway**

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In January 1998, the Province through NBHC entered into agreements with a private sector consortium and the New Brunswick (F-M) Project Company Inc., a not-for-profit company, to develop, design, build, operate, manage, maintain and rehabilitate a four lane toll highway between Longs Creek and Moncton. Total capital costs of the project including construction financing are estimated to be \$864.8 million. These capital costs include the \$584.4 million fixed price contract with the Maritime Road Development Corporation, \$119.9 million in Crown completed construction costs, \$143.8 million in net interest costs, and \$16.7 million in other costs.

NBHC will lease land to the New Brunswick (F-M) Project Company Inc. which will own all improvements to these lands, in particular the four lane toll highway, and sublease the improvements back to NBHC. NBHC is responsible for making the sublease payments to the New Brunswick (F-M) Project Company Inc. Under these agreements NBHC will be required to make total lease payments of approximately \$1.514 billion, including principal and interest. This amount will be paid through 49 equal semi-annual payments estimated to be \$30.9 million, starting in the fiscal year 2003-2004. However, accrual for the annual lease cost will begin once the highway is completed to the stage of full traffic availability.

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**3. Land**

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By deed dated 21 January 1998, the Province, through the Department of Transportation, transferred approximately seventy percent of the land corridor necessary for the Fredericton-Moncton highway project to NBHC.

The transfer of land by the Province has been treated as an equity contribution for financial statement purposes and has been recorded at the nominal amount of one dollar.

**4. Revenues and expenditures**

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During the year an asset representing Crown completed construction costs of \$97,387,761 was purchased by NBHC from the Department of Transportation. The asset was then sold at cost to the New Brunswick (F-M) Project Company Inc. At 31 March 1998, \$5,007,761 was receivable from the New Brunswick (F-M) Project Company Inc.

A total of \$119,857,000 in assets representing Crown completed construction costs will be purchased and sold by 1 April 2001.

**5. Staff resources**

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The Corporation has no employees. Staff support is provided by the Department of Transportation and the Department of Finance.

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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK INVESTMENT MANAGEMENT**  
**CORPORATION**  
**31 MARCH 1998**

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## FINANCIAL STATEMENTS

### MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**Ernest L. MacKinnon**  
President and Chief Executive Officer

### AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of the New Brunswick Investment Management Corporation as at March 31, 1998 and the statement of revenue and expenses for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.




Chartered Accountants  
Fredericton, NB, Canada  
May 18, 1998

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 1998, WITH COMPARATIVE FIGURES FOR 1997**

	1998	1997
<b>ASSETS</b>		
Receivables		
Province of New Brunswick	\$ 23,236	\$ 188,000
Trust Funds	1,057,311	629,316
	1,080,547	817,316
Capital Assets, Net (Note 3)	415,852	403,883
<b>TOTAL ASSETS</b>	<b>\$ 1,496,399</b>	<b>\$ 1,221,199</b>
<b>LIABILITIES</b>		
Payables and Accruals	\$ 1,080,547	\$ 817,316
Deferred Fees	415,852	403,883
<b>TOTAL LIABILITIES</b>	<b>\$ 1,496,399</b>	<b>\$ 1,221,199</b>

(See accompanying notes to financial statements)

APPROVED ON BEHALF OF THE BOARD:



Chairman of the Board



President and  
Chief Executive Officer

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**STATEMENT OF REVENUE AND EXPENSES**  
**YEAR ENDED MARCH 31, 1998, WITH COMPARATIVE FIGURES FOR 1997**

	1998	1997
<b>REVENUE</b>		
<b>FEES</b>		
Public Service Superannuation Fund	\$ 1,599,949	\$ 948,120
Teachers' Pension Fund	1,545,489	916,643
Judges' Superannuation Fund	13,377	3,743
Province of New Brunswick	278,836	328,000
<b>TOTAL FEES</b>	<b>3,437,651</b>	<b>2,196,506</b>
<b>EXPENSES</b>		
Personal Services	1,477,677	1,044,488
Other Services (Note 4)	1,781,258	997,235
Materials and Supplies	44,777	36,824
Amortization of Capital Assets	133,939	117,959
<b>TOTAL EXPENSES</b>	<b>3,437,651</b>	<b>2,196,506</b>
<b>NET</b>	<b>\$ 0</b>	<b>\$ 0</b>

(See accompanying notes to financial statements)

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 1998**

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**Note 1: New Brunswick Investment Management Corporation**

The Corporation is established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996.

Its legislated mandate is to:

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund (the Funds);
- provide investment counseling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

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**Note 2: Accounting Policies**

**(a) Accounting Entity**

The Corporation is an entity separate from the pension funds for which it is trustee. However, expenses of the Corporation are funded primarily by the pension funds, and also by the Minister of Finance or through recovery of expenses.

**(b) Basis of Accounting**

These financial statements have been prepared following the accrual method prescribed by generally accepted accounting principles. Under this method, expenses and revenues are recorded when they are incurred or earned regardless of when the related cash flows occur.

**(c) Amortization and Deferred Fees**

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using the rates shown in note 3. Deferred fees shown on the balance sheet represent the unamortized balance of capital assets purchased by the Corporation and paid by the Funds. The deferred fees will be recognized as revenue on the same basis and rates as those used for the amortization of assets.

**Note 3: Capital Assets**

	Rate	Cost	Accumulated Amortization	1998 Unamortized Balance	1997 Unamortized Balance
Computer Equipment	33 $\frac{1}{3}$ %	\$ 251,788	\$ 147,995	\$ 103,793	\$ 142,267
Furniture and Equipment	8 %	239,393	35,690	203,703	190,193
Leasehold Improvements	10 %	131,807	23,451	108,356	71,423
		\$ 622,988	\$ 207,136	\$ 415,852	\$ 403,883

**Note 4: Other Services**

	Expenses	Less: Recovery	1998 Net	1997 Net
Investment Counsel	\$ 571,464		\$ 571,464	\$ 326,656
Custodial Services	402,978		402,978	-
Travel	141,639	\$ 20,644	120,995	167,482
Office Rent	94,153		94,153	75,656
Professional Services	168,599	79,356	89,243	193,933
Information Systems	399,659		399,659	183,676
Other Services	102,766		102,766	49,832
	\$ 1,881,258	\$ 100,000	\$ 1,781,258	\$ 997,235

**Note 5: Contractual Commitments**

The following are future minimum payments under various contractual commitments:

Years ended	1999	\$ 192,716
	2000	189,669
	2001	109,560
	2002	121,140
	2003	121,140
	2004 to 2006	343,223

**NEW BRUNSWICK LIQUOR CORPORATION  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 1998**



# NB Liquor Alcool N-B

## MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Handwritten signature of Roger J.E. Landry in black ink.

Roger J.E. Landry  
President and C.E.O.

Handwritten signature of Richard A. Smith in black ink.

Richard A. Smith, C.G.A., C.M.A.  
Controller & Director of Finance

May 22, 1998

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New  Nouveau  
**Brunswick**

**KPMG**KPMG  
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CanadaTelephone (506) 452-8000  
Telefax (506) 450-0072  
<http://www.kpmg.ca>

## AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of the New Brunswick Liquor Corporation as at March 31, 1998 and the statements of income and changes in cash resources for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1998 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Chartered Accountants

Fredericton, NB, Canada  
May 22, 1998

**BALANCE SHEET**

	MARCH 31	
<b>Assets</b>	1998	1997
<i>Current Assets</i>		
Cash	\$ 361 196	\$ 162 300
Accounts receivable	1 601 686	1 048 480
Inventories (note 1)	10 026 102	9 645 962
Prepaid expenses	71 732	93 469
Total current assets	<u>12 060 716</u>	<u>10 950 211</u>
<i>Deferred Charges</i>		
Deferred pension costs	<u>4 443 746</u>	<u>4 937 498</u>
<i>Fixed Assets</i>		
Property, plant and equipment (note 2)	<u>10 948 442</u>	<u>9 729 459</u>
Total Assets	<u><u>\$27 452 904</u></u>	<u><u>\$25 617 168</u></u>
 <b>Liabilities</b>		
<i>Current Liabilities</i>		
Outstanding cheques in excess of funds on deposit		\$ 1 020 931
Accounts payable and accrued liabilities	<u>8 528 631</u>	<u>6 623 644</u>
Total current liabilities	<u>8 528 631</u>	<u>7 644 575</u>
<i>Long Term Debt</i>		
Pension liability (note 3)	<u>7 014 016</u>	<u>7 202 366</u>
 <b>Equity of the Province of New Brunswick</b>		
Balance at beginning of year, as previously stated	10 563 227	
Prior period adjustment (note 4)	<u>207 000</u>	
Balance at beginning of year, restated	10 770 227	12 451 869
Net income	<u>85 600 803</u>	<u>83 634 159</u>
	96 371 030	96 086 028
Payments to the Province of New Brunswick	<u>84 460 773</u>	<u>85 315 801</u>
Balance at end of year	<u>11 910 257</u>	<u>10 770 227</u>
Total Liabilities and Equity	<u><u>\$27 452 904</u></u>	<u><u>\$25 617 168</u></u>

Commitments (note 5)

See accompanying notes to financial statements

APPROVED BY THE BOARD:



Director



Director

## INCOME STATEMENT

Year ended March 31

	Budget 1998	Actual 1998	Actual 1997
Total sales (note 6)	\$242 251 209	\$240 919 539	\$233 839 599
Less: commissions	3 179 200	3 296 552	2 691 813
Net sales	<u>239 072 009</u>	<u>237 622 987</u>	<u>231 147 786</u>
Cost of sales	127 991 313	127 389 341	123 440 212
Gross profit	<u>111 080 696</u>	<u>110 233 646</u>	<u>107 707 574</u>
Other income	528 444	478 888	1 033 917
	<u>111 609 140</u>	<u>110 712 534</u>	<u>108 741 491</u>
Operating expenses	24 308 724	24 349 375	24 305 419
Pension expense	1 154 552	762 356	801 913
Total expenses	<u>25 463 276</u>	<u>25 111 731</u>	<u>25 107 332</u>
Net income	<u>\$ 86 145 864</u>	<u>\$ 85 600 803</u>	<u>\$ 83 634 159</u>

See accompanying notes to financial statements

## STATEMENT OF CHANGES IN CASH RESOURCES

Year ended March 31

	1998	1997
<b>Cash from Operations</b>		
Net income	\$ 85 600 803	\$ 83 634 159
Items not involving cash:		
Depreciation and amortization	1 400 482	1 416 217
Pension amortization	493 752	493 752
Amortization of experience gains	(336 000)	(336 000)
Loss (gain) on sale of property, plant, and equipment	477 590	(91 826)
Change in non-cash working capital	(27 553)	998 083
Increase in pension liability	147 650	203 936
Cash available from operations	<u>87 756 724</u>	<u>86 318 321</u>
<b>Net Capital Investments</b>		
Additions to property, plant, and equipment	(3 454 651)	(1 348 705)
Proceeds from sale of property, plant, and equipment	357 596	330 785
Net cash used for capital investments	<u>(3 097 055)</u>	<u>(1 017 920)</u>
<b>Payments to the Province of New Brunswick</b>	<u>84 460 773</u>	<u>85 315 801</u>
<b>Increase (Decrease) in Cash</b>	198 896	( 15 400)
<b>Cash at Beginning of Year</b>	<u>162 300</u>	<u>177 700</u>
<b>Cash at End of Year</b>	<u>\$ 361 196</u>	<u>\$ 162 300</u>

See accompanying notes to financial statements

**Schedule of Sales**

Year ended March 31

	Budget 1998	Actual 1998	Actual 1997
Spirits	\$ 64 588 314	\$ 62 883 677	\$ 61 669 259
Wine	21 171 115	22 724 805	20 966 461
Other beverages	4 440 000	5 458 999	4 441 027
Beer	152 051 780	149 852 058	146 762 852
	<u>\$242 251 209</u>	<u>\$240 919 539</u>	<u>\$233 839 599</u>

**Schedule of Cost of Sales**

Year ended March 31

	Spirits	Wine	Other beverages	Beer	1998 Total	1997 Total
Inventories at beginning of year	\$ 4 223 463	\$ 2 635 794	\$ 369 460	\$ 2 277 858	\$ 9 506 575	\$ 9 608 937
Purchases	13 292 075	8 789 532	2 686 301	88 947 769	113 715 677	109 402 670
Freight	497 438	577 609	119 029	80 974	1 275 050	1 250 262
Duty and sales tax	11 977 012	697 665	57 183	64 231	12 796 091	12 684 918
	<u>29 989 988</u>	<u>12 700 600</u>	<u>3 231 973</u>	<u>91 370 832</u>	<u>137 293 393</u>	<u>132 946 787</u>
Inventories at end of year	4 696 828	2 521 063	411 052	2 275 109	9 904 052	9 506 575
	<u>\$ 25 293 160</u>	<u>\$ 10 179 537</u>	<u>\$ 2 820 921</u>	<u>\$ 89 095 723</u>	<u>\$127 389 341</u>	<u>\$123 440 212</u>

**Schedule of Other Income**

Year ended March 31

	Budget 1998	Actual 1998	Actual 1997
Merchandising programs	\$ 570 700	\$ 603 045	\$ 558 391
Private importation revenue	71 368	67 869	68 284
Commission on collection of			
Liquor Licensing Branch charges	89 800	42 344	88 994
Beer voucher administration fees	43 000	41 613	86 048
Claims for damage and breakage	45 000	71 689	40 083
Unredeemed beverage container deposits	45 228	58 107	47 864
Rentals	12 792	5 383	12 727
Subscriptions to sales reports	6 000	15 180	12 070
Handling charges on special events refunds	8 700	9 681	9 165
(Loss) gain on sale of property, plant, and equipment	(389 544)	(477 590)	91 826
Sundry	25 400	41 567	18 465
	<u>\$ 528 444</u>	<u>\$ 478 888</u>	<u>\$ 1 033 917</u>

**Schedule of Operating Expenses**

Year ended March 31

	Budget 1998	Actual 1998	Actual 1997
Salaries - stores, warehouse and maintenance	\$ 10 702 396	\$ 10 984 976	\$ 11 054 107
- administration	2 362 879	2 203 889	2 036 882
Employee benefits	2 524 605	2 550 159	2 480 009
Rent	2 714 672	2 705 946	2 753 854
Heat and light	905 649	820 643	917 986
Depreciation and amortization	1 498 109	1 400 482	1 416 217
Training programs	89 850	87 535	70 450
Trucking	278 223	290 078	288 547
Repairs to property, plant, and equipment	291 489	298 411	304 901
Taxes	477 000	432 169	473 178
Minor equipment and supplies	330 153	376 209	365 455
Security	235 993	235 962	230 713
Retail automation system maintenance	151 267	106 541	123 942
Travel	209 555	175 495	192 050
Beverage container redemption costs	121 225	218 242	140 929
Shopping bags	133 695	156 590	153 094
Data processing	234 208	242 847	246 443
Telecommunications	273 180	278 184	304 957
Motor vehicle operation	23 532	28 449	26 958
Cleaning	157 196	121 322	133 244
Shortages	46 800	47 728	37 382
Management meetings	38 458	33 808	28 916
Postage	42 850	47 065	46 434
Professional services	73 292	110 048	86 436
Bank charges	226 000	252 244	227 101
Warehouse maintenance and supplies	28 780	22 401	34 920
Insurance	12 300	8 833	12 215
Advertising and promotions	31 950	25 552	35 475
Directors' remuneration	38 060	37 585	37 023
Other	55 358	49 982	45 601
	<u>\$ 24 308 724</u>	<u>\$ 24 349 375</u>	<u>\$ 24 305 419</u>

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 1998

### General

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and its sole business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick.

### Summary of Significant Accounting Policies

#### Inventories

Inventories of goods for resale are valued at cost, which is lower than net realizable value. Inventory of supplies is valued at cost.

#### Deferred Pension Costs

Deferred pension costs are being amortized on a straight-line basis over sixteen years.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line basis using the following annual rates:

Buildings	2 1/2%
Paving	10%
Refrigeration equipment	10%
Retail automation equipment	10%
Furniture, fixtures and equipment	20%
Automotive equipment	20%

Leasehold improvements are amortized on the straight-line basis over the original lease term.

#### Pension Liability

The cost of early retirement programs is charged to employee benefits in the years that the payments are actually made.

#### 1. Inventories

	1998	1997
Spirits, wine, other beverages and beer	\$ 9 904 052	\$ 9 506 575
Supplies	<u>122 050</u>	<u>139 387</u>
	<u>\$ 10 026 102</u>	<u>\$ 9 645 962</u>

## 2. Property, Plant and Equipment

	Cost	Accumulated Depreciation	1998 Net	1997 Net
Land	\$ 219 825		\$ 219 825	\$ 276 161
Paving	410 361	\$ 355 156	55 205	61 734
Buildings	10 184 726	5 879 825	4 304 901	4 910 315
Leasehold improvements	3 395 298	2 360 722	1 034 576	899 943
Furniture, fixtures and equipment	5 404 230	4 565 761	838 469	643 236
Automotive equipment	163 177	135 059	28 118	46 285
Retail automation equipment	5 441 339	2 617 143	2 824 196	1 023 049
Refrigeration equipment	3 229 506	1 586 354	1 643 152	1 868 736
	<u>\$28 448 462</u>	<u>\$17 500 020</u>	<u>\$10 948 442</u>	<u>\$9 729 459</u>

Depreciation and amortization for the year is \$1 400 482; 1997 \$1 416 217.

Net property, plant and equipment additions for the year are \$1 285 128; 1997 \$576 223.

## 3. Pension Liability

The employees of the New Brunswick Liquor Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer, defined benefit pension plan.

Pursuant to a regulation under the Public Service Superannuation Act (NB), the New Brunswick Liquor Corporation will contribute, until such time as the benefits are fully funded, sufficient amounts into the pension trust fund to amortize \$7 900 000 of the pension liability. The amortization period is estimated to be twenty-five years. The pension liability, which bears interest at 8.16% per year, is payable in annual installments. The amount payable in 1999 is \$486 656 and increases each year at the rate of the Canadian Consumer Price Index plus 2%, maturing March 2016.

	1998	1997
Pension liability	<u>\$7 014 016</u>	<u>\$7 202 366</u>

Since the annual payment will be insufficient to pay the interest until 2001, the pension liability will increase in each of the next three years approximately as follows:

1999	\$ 85 688
2000	61 048
2001	32 341

Subsequent to 2001 the principal payments in each of the following five years on the long-term debt will be approximately as follows:

2002	\$ 899
2003	39 183
2004	83 074
2005	133 193
2006	190 218

### 3. Pension Liability (continued)

Actuarial valuations of the Public Service Superannuation Plan were completed as at April 1, 1992, 1993 and 1997. These valuations identified experience gains as a result of a reduction in accrued benefit obligations and an increase in pension asset values. As at March 31, 1998 the Corporation has realized \$1 231 700 of these experience gains; 1997 \$895 700. Experience gains are being amortized over the estimated remaining service life of active contributors. The unamortized portion of experience gains as at March 31, 1998 is \$3 731 650; 1997 \$4 067 650.

The pension expense of \$762 356; 1997 \$801 913 includes the amortization of past service costs and interest costs, less experience gains realized.

### 4. Prior Period Adjustment

The pension liability as at March 31, 1997 has been decreased by \$207 000 to reflect the Corporation's portion of experience gains relating to the Public Service Superannuation Plan. Net income for the year ended March 31, 1997 was increased by the same amount.

### 5. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 1999 and 2008. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, by years, of future minimum lease payments required under operating leases that have, as of March 31, 1998, initial lease terms in excess of one year:

1999	\$ 2 417 776
2000	2 374 924
2001	2 144 669
2002	1 673 178
2003	1 522 497
2004 to 2008	<u>4 425 542</u>
	<u>\$14 558 586</u>

### 6. Total Sales

Total sales reported include sales to retail customers, licensed establishments, and agency stores. These amounts do not include subsequent resale by licensed establishments and agency stores.

### 7. Comparative Figures

Certain 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.

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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**MUNICIPAL FINANCE CORPORATION**

**31 DECEMBER 1997**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Board of Directors  
New Brunswick Municipal Finance Corporation

I have audited the balance sheet of the New Brunswick Municipal Finance Corporation as at 31 December 1997 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in cursive script, appearing to read "Daryl C. Wilson".

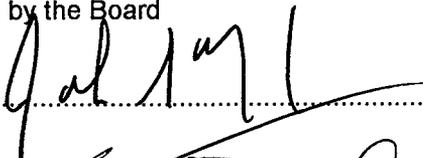
Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
9 April 1998

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
BALANCE SHEET  
31 DECEMBER 1997**

	1997	1996
<b>ASSETS</b>		
Cash and short-term investments	\$ 761,013	\$ 665,750
Accrued interest receivable from municipalities	3,965,675	4,081,128
Loans to municipalities (Note 2)	328,512,000	303,058,000
	<u>\$ 333,238,688</u>	<u>\$ 307,804,878</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Accounts payable	\$ 80,698	\$ 6,864
Accrued interest payable on debenture debt	3,965,675	4,081,128
Debenture debt (Note 3)	328,512,000	303,058,000
	<u>332,558,373</u>	<u>307,145,992</u>
Retained earnings	680,315	658,886
	<u>\$ 333,238,688</u>	<u>\$ 307,804,878</u>

Approved by the Board



Director



Director

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

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	1997	1996
<b>REVENUE</b>		
Interest from municipalities	\$ 25,125,782	\$ 25,657,737
Retained for debenture issue expenses	105,800	86,457
Investment income	22,205	34,678
	<u>25,253,787</u>	<u>25,778,872</u>
<b>EXPENDITURE</b>		
Interest on debentures	25,125,782	25,657,737
Other expenses	106,576	106,521
	<u>25,232,358</u>	<u>25,764,258</u>
<b>NET INCOME FOR THE YEAR</b>	21,429	14,614
Retained earnings, beginning of year	658,886	644,272
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 680,315</u>	<u>\$ 658,886</u>

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 1997**

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	1997	1996
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net income for the year	\$ 21,429	\$ 14,614
Add (deduct)		
Increase in accounts payable	73,834	3,864
	<u>95,263</u>	<u>18,478</u>
Financing activities:		
Proceeds on sale of debentures	69,986,960	57,049,028
Funds retained for debenture issue expenses	( 105,800)	( 86,457)
Principal paid on debenture debt	( 45,079,000)	( 41,921,000)
	<u>24,802,160</u>	<u>15,041,571</u>
Investing activities:		
Loans to municipalities	( 69,881,160)	( 56,962,571)
Principal repayments made by municipalities	45,079,000	41,921,000
	<u>( 24,802,160)</u>	<u>( 15,041,571)</u>
<b>INCREASE IN CASH</b>	95,263	18,478
Cash position, beginning of year	<u>665,750</u>	<u>647,272</u>
<b>CASH POSITION, end of year</b>	<u>\$ 761,013</u>	<u>\$ 665,750</u>

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1997**

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**1. Summary of significant accounting policies**

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The Corporation was established under the New Brunswick Municipal Finance Corporation Act which came into force on 1 February 1983. The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

Loans to municipalities and debenture debt are recorded at par value. Any discount or premium arising on the issuance of debenture debt is transferred to the municipality, and accounted for in their financial statements.

**2. Loans to municipalities**

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- (a) Loans to municipalities are made on the security of their debentures due in annual instalments for periods up to a maximum of fifteen years.
- (b) The terms of the loans to municipalities are identical to those on the debenture debt outstanding.

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1997**

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**3. Debenture debt**

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- (a) The following debenture debt outstanding at 31 December 1997 is in Canadian funds and is fully guaranteed by the Province of New Brunswick.

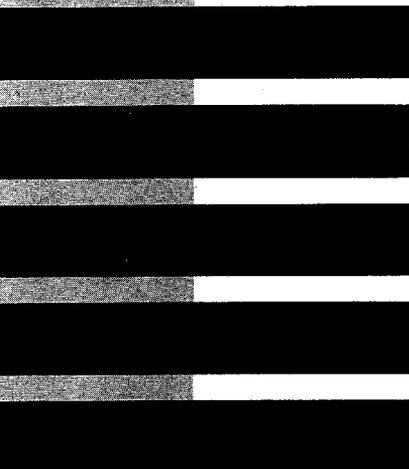
<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
"A"	16 May 1983	16 May 1984 to 1998	10 3/4% to 12%	\$ 16,781,000	\$ 610,000
"B"	15 Dec. 1983	15 Dec. 1984 to 1998	9 3/4% to 12 1/4%	25,961,000	1,110,000
"H"	01 Dec. 1986	01 Dec. 1987 to 2001	9% to 10 1/8%	18,610,000	1,794,000
"K"	22 June 1988	22 June 1989 to 1998	9 1/2% to 10 3/4%	13,183,000	2,482,000
* "L"	24 Nov. 1988	24 Nov. 1989 to 1998	10 1/4% to 10 1/2%	18,156,000	2,427,000
"M"	29 June 1989	29 June 1990 to 1999	10 1/4% to 10 7/8%	9,753,000	3,316,000
* "N"	23 Nov. 1989	23 Nov. 1990 to 1999	10 1/4% to 10 1/2%	36,948,000	10,998,000
* "O"	22 Aug. 1990	22 Aug. 1991 to 2000	11 1/2% to 12 3/4%	8,989,000	4,255,000
* "P"	11 Dec. 1990	11 Dec. 1991 to 2000	11 1/2% to 11 3/4%	29,344,000	11,499,000
* "Q"	27 June 1991	27 June 1992 to 2001	9 1/4% to 10 5/8%	17,947,000	8,824,000
"R"	16 Dec. 1991	16 Dec. 1992 to 2001	7 3/8% to 9 3/8%	35,221,000	16,437,000
"S"	14 July 1992	14 July 1993 to 2002	6 1/2% to 9%	24,076,000	13,431,000
* "T"	30 Dec. 1992	30 Dec. 1993 to 2002	7 1/2% to 8 7/8%	22,171,000	13,225,000
"U"	29 July 1993	29 July 1994 to 2008	5 1/2% to 8 3/8%	34,442,000	20,818,000
"V"	23 Dec. 1993	23 Dec. 1994 to 2003	4 3/4% to 7 1/2%	23,856,000	15,823,000
* "W"	09 Aug. 1994	09 Aug. 1995 to 2004	8% to 9 3/4%	30,860,000	22,457,000
* "X"	21 Dec. 1994	21 Dec. 1995 to 2004	7 1/4% to 9 1/2%	14,243,000	10,824,000
"Y"	07 June 1995	07 June 1996 to 2005	7 1/8% to 8 1/8%	13,611,000	11,784,000
* "Z"	20 Dec. 1995	20 Dec. 1996 to 2005	6 1/4% to 7 7/8%	39,032,000	32,504,000
"AA"	24 July 1996	24 July 1997 to 2006	5 5/8% to 7 7/8%	19,028,000	17,722,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3 5/8% to 6 5/8%	38,610,000	35,639,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4 1/8% to 6%	36,187,000	36,187,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4 1/4% to 5 3/4%	34,346,000	34,346,000
				<u>\$ 561,355,000</u>	<u>\$ 328,512,000</u>

\* These debentures were sold directly to funds administered by the Province of New Brunswick.

- (b) Principal payments due in each of the next five years are:

1998	\$50,389,000
1999	\$48,777,000
2000	\$44,659,000
2001	\$38,976,000
2002	\$34,381,000





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**CONSOLIDATED FINANCIAL STATEMENTS**

**THE NEW BRUNSWICK MUSEUM**

**March 31, 1998**

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## AUDITORS' REPORT

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To the Directors of  
**The New Brunswick Museum**

We have audited the consolidated balance sheet of **The New Brunswick Museum** as at March 31, 1998 and the related consolidated statements of financial operations and fund balances for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 1998 and the results of its operations and the changes in fund balances for the year then ended in accordance with generally accepted accounting principles.

Saint John, Canada,  
May 31, 1998.

*Ernst & Young*

Chartered Accountants

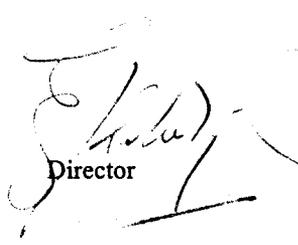
**The New Brunswick Museum**  
**CONSOLIDATED BALANCE SHEET**

As at March 31

	General Fund \$	Endowment Fund \$	Market Square Fund \$	1998 \$	1997 \$
					<i>[as restated - note 1]</i>
<b>ASSETS</b>					
Cash and short-term investments	172,706	49,348	—	222,054	246,364
Accounts receivable	86,904	6,707	—	93,611	55,738
Prepaid expenses	200	—	—	200	6,073
Inventory	37,201	—	—	37,201	62,879
Due from Province of New Brunswick	142,601	—	—	142,601	—
	439,612	56,055	—	495,667	371,054
Investments <i>[note 2]</i>	—	232,963	—	232,963	536,812
Interfund loan <i>[note 2]</i>	—	311,671	(311,671)	—	—
Property and equipment <i>[note 3]</i>	58,876	—	52,116	110,992	107,388
Collection and accessions	2	—	—	2	2
	498,490	600,689	(259,555)	839,624	1,015,256
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued liabilities	203,495	—	892	204,387	145,516
Term loan <i>[note 4]</i>	—	—	75,000	75,000	400,000
Deferred revenue	6,995	—	—	6,995	—
	210,490	—	75,892	286,382	545,516
<b>Fund balances <i>[note 5]</i></b>					
Unrestricted	27,032	130,128	—	157,160	82,818
Internally Restricted	97,421	—	—	97,421	216,613
Externally Restricted	104,671	39,718	(387,563)	(243,174)	(365,256)
Endowment Fund	—	430,843	—	430,843	428,177
Property and Equipment	58,876	—	52,116	110,992	107,388
	288,000	600,689	(335,447)	553,242	469,740
	498,490	600,689	(259,555)	839,624	1,015,256

See accompanying notes

On behalf of the Board:

  
Director

  
Director

**The New Brunswick Museum**

**CONSOLIDATED**

**STATEMENT OF FINANCIAL OPERATIONS**

**AND CHANGES IN FUND BALANCES**

Year ended March 31

	General Fund \$	Endowment Fund \$	Market Square Fund \$	1998 \$	1997 \$
					<i>[as restated - note 1]</i>
<b>Revenue</b>					
<b>Grants</b>					
Provincial	1,513,091	—	—	1,513,091	1,579,685
Federal	49,486	—	—	49,486	38,543
Municipal	17,550	—	—	17,550	23,400
Dept. of Canadian Heritage	84,750	—	—	84,750	60,000
Investment income	1,675	45,255	—	46,930	47,018
Webster Foundation	—	38,100	—	38,100	41,150
Museum services <i>[note 6]</i>	164,544	—	—	164,544	162,793
Gain on Sale of Investments	—	58,618	—	58,618	71,511
Donations <i>[note 7]</i>	13,750	2,666	198,443	214,859	351,687
Sale of Equipment	15,000	—	—	15,000	—
GST Refund	—	—	—	—	104,265
	<b>1,859,846</b>	<b>144,639</b>	<b>198,443</b>	<b>2,202,928</b>	<b>2,480,052</b>
<b>Expenditures</b>					
Salaries and benefits	1,387,821	—	7,510	1,395,331	1,538,159
Materials, supplies and services	609,812	—	42,870	652,682	1,269,210
Amortization of property and equipment	12,205	—	13,615	25,820	25,069
Acquisitions	34,788	12,146	—	46,934	52,058
Scholarships	—	2,263	—	2,263	1,253
	<b>2,044,626</b>	<b>14,409</b>	<b>63,995</b>	<b>2,123,030</b>	<b>2,885,749</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(184,780)</b>	<b>130,230</b>	<b>134,448</b>	<b>79,898</b>	<b>(405,697)</b>
<b>Fund balance, beginning of year</b>	<b>498,910</b>	<b>537,841</b>	<b>(567,011)</b>	<b>469,740</b>	<b>874,749</b>
<b>Fund balance before transfers</b>	<b>314,130</b>	<b>668,071</b>	<b>(432,563)</b>	<b>549,638</b>	<b>469,052</b>
<b>Endowment fund transfer</b>	<b>67,382</b>	<b>(67,382)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Amount attributable to property and equipment</b>	<b>14,813</b>	<b>—</b>	<b>(11,209)</b>	<b>3,604</b>	<b>688</b>
<b>Contribution to Market Square project</b>	<b>(45,000)</b>	<b>—</b>	<b>45,000</b>	<b>—</b>	<b>—</b>
<b>Fund balance, end of year</b>	<b>351,325</b>	<b>600,689</b>	<b>(398,772)</b>	<b>553,242</b>	<b>469,740</b>

See accompanying notes



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**The New Brunswick Museum****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1998

The New Brunswick Museum is incorporated under the laws of the Province of New Brunswick to preserve and present the natural and human history of New Brunswick and of other related regions. To this end, the Museum collects, preserves, researches and interprets objects which tell the story of New Brunswick, and develops exhibits and public programs on these and related topics for the education and enjoyment of the public. This is done in a manner which fully represents the province's two linguistic and cultural communities, aboriginal peoples and other cultural groups.

The Museum is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with generally accepted accounting principles, the more significant of which are outlined below.

**(a) Financial statement presentation**

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors or various funding authorities. Effective April 1, 1997 the Museum adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to Not for Profit organizations. The cumulative effect of adopting the recommendations with respect to property and equipment was to increase opening property and equipment fund balances by \$107,388 and increase property and equipment by \$110,992. Prior years financial statements have been restated. Under the new recommendations property and equipment are capitalized and amortized over their useful lives. Prior to the adoption of the new recommendations property and equipment were expensed in the year of acquisition.

These consolidated financial statements include the accounts of The New Brunswick Museum and the New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following three groupings:

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The New Brunswick Museum

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

March 31, 1998

1. SIGNIFICANT ACCOUNTING POLICIES [Continued]

*General Fund*

This fund reflects the day-to-day operating transactions of the Museum. It also includes amounts received by the Museum which are designated to be restricted to certain expenditures of an operating nature. Such restricted activities include the following:

*Grants* — Amounts received from various governments and private agencies to finance specific projects.

*Department of Canadian Heritage* — Amounts received from the Federal Museum's Assistance Program to finance activities which increase public accessibility. This includes special event programs, education programs, and advisory services.

*Bequests and donations* — Amounts received from sources which place specific restrictions on their use.

*Project reserves* — Amounts restricted by management for exhibitions and gallery upgrades. This also includes funds received from activities of the staff in the curatorial departments to assist in financing specific project expenditures.

*Webster Foundation* — Contributions from the Webster Foundation are applied toward acquisitions and the general operations of certain projects.

*Endowment Fund*

This includes amounts held for the long-term benefit of the Museum. Investment income earned on certain endowment funds is unrestricted and accordingly is transferred to the operating fund.

*Market Square Fund*

The Market Square expansion is a significant project which has been accounted for separately and funded by the proceeds of the capital campaign conducted by the New Brunswick Museum Foundation.

(b) Investments

Investments purchased by the Museum are valued at cost, and investments donated to the Museum are valued at fair market value at the date of receipt. Investment income is recognized as earned.

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**The New Brunswick Museum****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1998

**1. SIGNIFICANT ACCOUNTING POLICIES [Continued]****(c) Inventory**

Inventory consisting of publications and items held for resale is valued at the lower of cost and net realizable value determined on a first-in, first-out basis and includes publications. Government grants received for the publishing of certain books are applied against the publishing costs.

**(d) Collection and accessions**

Collections and accessions are recorded at a nominal value. Additions to the collection are expensed in the year of acquisition.

The collections of the Museum comprise a wide range of subject matter from the humanities and natural science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings, numbering about 100,000 artifacts, include history and technology artifacts, fine and decorative arts and archival material. The natural science holdings, numbering about 300,000 specimens or specimen lots, include botanical, palaeontology and zoological collections.

**(e) Property & equipment**

Furniture and equipment is stated at cost and is amortized on a straight line basis over the estimated useful life of the assets: computer equipment 33%, vehicles and equipment 20%, furniture 10%.

**(f) Government and private grants**

Government and private grants for current operations and capital acquisitions are recognized as revenue in the year of receipt.

**(g) Contributed services**

Volunteers contributed approximately 7,000 hours to assist the Museum in carrying out its service delivery activities.

**The New Brunswick Museum**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 1998

**2. INVESTMENTS**

The investments included in the Endowment Fund are comprised of the following:

	1998		1997	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Bonds	152,332	176,385	275,597	297,775
GIC's	64,149	64,149	164,583	163,961
Treasury bills	—	—	76,679	76,716
Equity	16,482	365,275	19,953	292,388
	<b>232,963</b>	<b>605,809</b>	<b>536,812</b>	<b>830,840</b>

In accordance with the investment policy of the Museum, during the year certain equity investments were disposed of and a net gain of \$58,618 was realized for the benefit of the Museum.

During the year the Endowment Fund loaned an additional amount of \$298,371 to the Market Square fund. This loan bears interest at a rate of 7.8%.

**3. PROPERTY AND EQUIPMENT**

	1998		1997	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computers	58,190	27,528	30,662	22,960
Vehicles & equipment	82,966	28,532	54,434	55,655
Furniture	33,508	7,614	25,896	28,773
	<b>174,664</b>	<b>63,674</b>	<b>110,992</b>	<b>107,388</b>

**4. FINANCING**

On March 14, 1996, a five year term loan facility of \$1,300,000 was established with a chartered bank at a rate of 7.8% to fund the Market Square project. The loan will be repaid from the proceeds of pledges to the New Brunswick Museum Foundation capital campaign as they are received. Interest is payable monthly.

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**The New Brunswick Museum**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1998

**5. FUND BALANCES**

A summary of the changes in the various fund balances for fiscal 1998 is as follows:

	Balance, beginning of year \$	Revenue \$	Expenditures \$	Balance, end of year \$
Unrestricted general	11,307	1,815,458	1,799,733	27,032
Unrestricted endowment	71,511	82,900	24,283	130,128
	<b>82,818</b>	<b>1,898,358</b>	<b>1,824,016</b>	<b>157,160</b>
Internal restricted operating	216,613	198,475	317,667	97,421
External restricted operating	163,602	103,691	162,622	104,671
External restricted endowment	38,153	59,073	57,508	39,718
External restricted Market Square	(567,011)	198,443	18,995	(387,563)
	<b>(365,256)</b>	<b>361,207</b>	<b>239,125</b>	<b>(243,174)</b>
Endowment fund	428,177	2,666	—	430,843
Property and equipment	107,388	3,604	—	110,992
<b>Total</b>	<b>469,740</b>	<b>2,464,310</b>	<b>2,380,808</b>	<b>553,242</b>

**6. MUSEUM SERVICES**

Museum Services consist of revenue from general operations, including the Gift Shop, membership, and admissions. Gift Shop revenue is included on a net basis since the revenue and expenditures are directly related. The total revenues and expenditures are as follows:

	1998 \$	1997 \$
Revenue	278,201	279,962
Expenditures	113,657	117,169
	<b>164,544</b>	<b>162,793</b>

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**The New Brunswick Museum**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1998

**7. MARKET SQUARE PROJECT**

The Museum has contractual commitments from the Government of Canada, the Province of New Brunswick and the City of Saint John for assistance allowing for an expansion of the Museum's public operations, primarily at the Market Square complex in Saint John. The project was substantially completed and the facility opened on April 27, 1996.

The Museum enhanced the project primarily in the exhibit galleries with a commitment of \$2,000,000. As at May 31, 1998 the New Brunswick Museum Foundation has received pledges in total through a capital campaign of \$2,000,000 of which \$1,400,424 has been received in cash.

**8. STATEMENT OF CHANGES IN FINANCIAL POSITION**

A separate statement of changes in financial position is not presented since cash flows from investment and financing activities are readily apparent from the other financial statements.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

**NEW BRUNSWICK POWER CORPORATION  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 1998**



**Deloitte &  
Touche****Chartered Accountants**

Deloitte & Touche  
Suite 210  
65 Regent Street  
Fredericton, New Brunswick  
E3B 7H8

Telephone: (506) 458-8105  
Facsimile: (506) 450-8126

**AUDITORS' REPORT**

The Honourable Marilyn Trenholme Counsell, MD  
Lieutenant-Governor of New Brunswick  
Fredericton, New Brunswick

Madam:

We have audited the consolidated balance sheet of New Brunswick Power Corporation as at March 31, 1998 and the consolidated statements of income, retained earnings, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

June 2, 1998

**Deloitte Touche  
Tohmatsu**

**NEW BRUNSWICK POWER CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
year ended March 31, 1998  
(in millions)

	1998	1997
<b>REVENUES</b>		
Sales of power (Note 3)		
In-province	\$ 869.3	\$ 825.3
Out-of-province	244.3	181.6
Miscellaneous	26.8	30.2
	<u>1,140.4</u>	<u>1,037.1</u>
<b>EXPENDITURES</b>		
Purchased power	120.5	117.3
Fuel	283.8	214.9
Operation, maintenance and administration (Note 2a)	258.4	262.3
Early retirement programs	-	4.3
Depreciation, amortization and decommissioning (Note 4)	177.1	184.0
	<u>839.8</u>	<u>782.8</u>
Income before finance charges	300.6	254.3
Finance charges (Note 5)	343.7	341.7
	<u>43.1</u>	<u>87.4</u>
Loss before transfers		
Transfer from generation equalization account	-	32.9
Transfer from fuel channel removal account (Note 6)	21.9	35.1
	<u>21.9</u>	<u>35.1</u>
<b>NET LOSS FOR THE YEAR</b>	<u><u>\$ 21.2</u></u>	<u><u>\$ 19.4</u></u>

**NEW BRUNSWICK POWER CORPORATION**  
**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**  
year ended March 31, 1998  
(in millions)

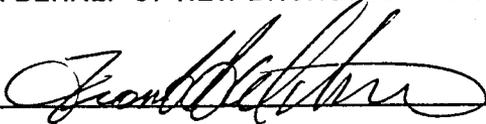
	1998	1997
Balance, beginning of year	\$ 446.5	\$ 465.9
Loss for the year	21.2	19.4
Balance, end of year	<u>\$ 425.3</u>	<u>\$ 446.5</u>

**NEW BRUNSWICK POWER CORPORATION  
CONSOLIDATED BALANCE SHEET**

as at March 31, 1998  
(in millions)

	1998	1997
<b>PROPERTY, PLANT AND EQUIPMENT (Note 7)</b>		
Land, buildings, plant and equipment, at cost	\$ 5,175.1	\$ 5,579.9
Accumulated depreciation	<u>(1,923.4)</u>	<u>(1,762.2)</u>
	<u>3,251.7</u>	<u>3,817.7</u>
<b>LONG-TERM ASSETS</b>		
Conservation and electrical improvement loans	3.7	3.9
Sinking fund investments	<u>70.1</u>	<u>57.1</u>
	<u>73.8</u>	<u>61.0</u>
<b>CURRENT ASSETS</b>		
Cash and short-term investments	4.3	20.6
Accounts receivable	184.0	170.5
Materials, supplies and fuel	76.6	83.6
Prepaid expenses	<u>5.0</u>	<u>5.2</u>
	<u>269.9</u>	<u>279.9</u>
<b>DEFERRED CHARGES</b>		
Unrealized foreign exchange differences, less amounts amortized (Note 8)	110.9	100.6
Debenture and note discount and issue expenses, less amounts amortized	29.2	33.3
Deferred pension benefit (Note 9)	11.5	-
Deferred cost - nuclear generating station (Note 10)	<u>450.0</u>	<u>-</u>
	<u>601.6</u>	<u>133.9</u>
	<u>\$ 4,197.0</u>	<u>\$ 4,292.5</u>

ON BEHALF OF NEW BRUNSWICK POWER CORPORATION

  
 \_\_\_\_\_ Chairman

  
 \_\_\_\_\_ Director

**NEW BRUNSWICK POWER CORPORATION  
CONSOLIDATED BALANCE SHEET**

as at March 31, 1998

(in millions)

	1998	1997
<b>LONG-TERM DEBT (Note 11)</b>		
Debtures and other loans	\$ 3,362.5	\$ 3,437.3
Less: sinking funds	<u>287.7</u>	<u>267.0</u>
	<u>3,074.8</u>	<u>3,170.3</u>
<b>CURRENT LIABILITIES</b>		
Short-term indebtedness (Note 12)	193.8	111.1
Accounts payable and accruals	105.2	116.0
Accrued interest	84.9	88.2
Current portion of long-term debt (Note 11)	<u>99.3</u>	<u>134.1</u>
	<u>483.2</u>	<u>449.4</u>
<b>DEFERRED LIABILITIES</b>		
Irradiated fuel management and plant decommissioning (Note 13)	184.7	172.3
Fuel channel removal (Note 6)	8.8	30.7
Other (Note 14)	<u>20.2</u>	<u>23.3</u>
	<u>213.7</u>	<u>226.3</u>
<b>EQUITY</b>		
Retained earnings	425.3	446.5
	<u>\$ 4,197.0</u>	<u>\$ 4,292.5</u>

**NEW BRUNSWICK POWER CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
year ended March 31, 1998  
(in millions)

	1998	1997
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES :</b>		
<b>OPERATING</b>		
Net loss for the year	\$ (21.2)	\$ (19.4)
Amounts charged or credited to operations not requiring a current cash payment (Note 15)	<u>184.3</u>	<u>148.4</u>
	163.1	129.0
 Net change in non-cash working capital balances	 (25.3)	 8.3
	<u>137.8</u>	<u>137.3</u>
 <b>FINANCING</b>		
Debt retirements	(99.0)	(61.5)
Sinking fund payments	(67.2)	(78.2)
Long-term debt obligations issued	-	69.7
Increase (decrease) in short-term indebtedness	<u>82.7</u>	<u>(9.3)</u>
	<u>(83.5)</u>	<u>(79.3)</u>
 <b>INVESTING</b>		
Expenditure on property, plant and equipment	(60.6)	(72.6)
Amounts financed by customer contributions and proceeds on disposal of property, plant and equipment	1.5	3.5
Deferred pension benefit	<u>(11.5)</u>	<u>-</u>
	<u>(70.6)</u>	<u>(69.1)</u>
 <b>NET CASH OUTFLOW</b>	 (16.3)	 (11.1)
 <b>CASH AND SHORT-TERM INVESTMENTS</b>		
<b>BEGINNING OF YEAR</b>	<u>20.6</u>	<u>31.7</u>
 <b>END OF YEAR</b>	 <u>\$ 4.3</u>	 <u>\$ 20.6</u>

**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES**

The New Brunswick Power Corporation ("the Corporation"), established in 1920 as a Crown Corporation of the Province of New Brunswick by enactment of the New Brunswick Electric Power Act, has a corporate mission to provide for the continuous supply of energy adequate for the needs and future development of the Province and to promote economy and efficiency in the generation, distribution, supply, sale and use of power.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a rate-regulated entity, applied on a basis consistent with that of the preceding year. The financial statements include the accounts of the Corporation and those of its wholly owned subsidiary, N.B. Coal Limited (N.B.Coal).

**a. Regulation**

The Corporation is regulated under a price cap system. Annual average rate increases greater than three percent, or the Consumer Price Index, whichever is higher, require regulatory review and approval by the Board of Commissioners of Public Utilities of the Province of New Brunswick (Public Utilities Board).

**b. Property, plant and equipment**

The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and material, interest on funds used during construction and indirect charges for administration and other expenses, less credits for the value of power generated during commissioning. Administration and other expenses are capitalized during construction by applying a portion of such overheads to direct construction costs incurred each month. Certain training costs associated with the development of new facilities and costs of major maintenance activities which occur infrequently over the lives of related assets are also capitalized.

Interest during construction is capitalized monthly based on the cost of long-term borrowings. When assets are taken out of service for extended periods of time for refurbishment, interest during construction is charged based on the net book value of the asset concerned.

Costs incurred for conservation and energy management, including interest capitalized on programs with long-term benefits, are included as a separate category of property, plant and equipment.

Contributions in aid of construction include amounts received from customers as well as research and development grants in respect of new facilities and are netted against the cost of plant financed thereby. Amounts received from customers are being amortized over the estimated service lives of the related assets, and the resulting credit is offset against the corresponding provision for depreciation.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 year ended March 31, 1998  
 (in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Property, plant and equipment (continued)**

The cost of distribution assets retired, net of dismantlement and salvage, is charged to accumulated depreciation. For all other property, plant and equipment disposed of, the cost and accumulated depreciation is written out of the accounts with the gain or loss on disposal being charged to operations.

Depreciation is provided for all assets sufficient to amortize the cost of such assets, less estimated salvage value over their estimated service lives. The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively. Depreciation is suspended when assets are taken out of service for extended periods for refurbishment. The nuclear generating station is depreciated using an escalating charge method with annual increases of three percent. Depreciation is provided on certain mining equipment on an increasing charge basis, the depreciation amount being based on the amount of related debt retirement required during the year. All other assets are depreciated on a straight-line basis. Depreciation is provided on the net cost of property, plant and equipment in respect of which grants have been provided.

The main categories of property, plant and equipment have been depreciated based on the following estimated service lives:

Assets	Years
Hydro Generating Stations	100
Thermal Generating Stations	35
Nuclear Generating Station	31 <sup>1</sup>
Combustion Turbine Generating Stations	25
Terminals and Substations	40
Transmission System	35 to 55
Distribution System	10 to 35
Buildings	
- General	40
- Head Office	50
Mining Equipment	20 to 25

<sup>1</sup> Effective April 1, 1998, the service life on the nuclear generating station will be shortened to 25 years (see Note 10).

Each asset category includes components which are depreciated over service lives shorter than their related main asset categories.

**c. Inventories**

Inventories of materials and supplies, oil and coal are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

**d. Debenture and note discounts and premiums, and issue expenses**

The Corporation amortizes debenture and note discounts and premiums and the expenses of issues over the lives of the issues to which they pertain.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. Foreign exchange transactions**

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian (Cdn) dollars at rates of exchange prevailing at the balance sheet date except where such items have been hedged by the acquisition of a forward exchange contract, in which case the rate established by the terms of the contract is used in the translation. Unrealized losses or gains arising on translation of long-term items are amortized to income on a straight-line basis over the remaining life of the related monetary assets or liabilities, except that amounts associated with the financing of major construction projects still in progress are deferred until the project is completed before being amortized over the then remaining life of the related monetary liabilities. The unamortized balance of the deferred exchange gains or losses is accumulated in an unrealized foreign exchange account which is shown on the balance sheet under deferred charges.

Exchange gains or losses resulting from transactions affecting current operations are reflected in income.

**f. Financial instruments**

**Long-term debt**

Long-term debt is recorded in the balance sheet at cost. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. The fair value estimated does not include costs that would be incurred to exchange or settle the debt.

**Derivative financial products**

The Corporation enters into forward exchange contracts to manage exchange risk related to interest obligations on US denominated long-term debt for terms up to twelve months. The Corporation also enters into oil swap agreements to reduce exposure to changes in the cost of oil used in the operations of its plants. The Corporation does not enter into derivative financial products for speculative purposes.

**g. Revenue**

Billings to residential and general service customers are rendered monthly on a cyclical basis. All other customers are billed at the end of each month. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

**h. Irradiated fuel management and plant decommissioning**

In order to provide for the estimated future costs of permanently disposing of irradiated nuclear fuel and decommissioning the nuclear generating station to return the site to a state of unrestricted use, the Corporation annually charges income with amounts calculated to be adequate, when accumulated with interest, to cover the total costs of



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Irradiated fuel management and plant decommissioning (continued)**

these future activities as they occur. The calculations of the anticipated future costs are based on a detailed study which takes into account various assumptions regarding the method and timing of dismantlement of the nuclear facility, the cost of transportation of nuclear material to permanent disposal facilities, and estimates of interest and inflation rates in the future. With respect to irradiated nuclear fuel, the annual charge is related to the amount of nuclear fuel consumed in each year while decommissioning requirements are charged on a straight-line basis over the life of the station.

The Corporation is also providing through an annual charge to income, for the estimated future costs of decommissioning its thermal generating stations. The amount of the charge, when accumulated with interest, is intended to cover the total costs of decommissioning activities as they occur.

Amounts charged each year to cover these activities are accumulated in a deferred liability account, together with interest, compounded annually, on the total amounts collected. Interest is calculated at the Corporation's long-term borrowing rate and is charged to income annually.

Costs incurred on a current basis relating to irradiated fuel management and plant decommissioning are charged against the deferred liability account.

In view of potential developments in the technology of decommissioning and irradiated fuel management, and because of the various assumptions and estimates inherent in the calculations, the Corporation reviews such calculations periodically, making adjustments as necessary on a prospective basis.

**i. Pension plans**

Corporation employees belong to the Province of New Brunswick Public Service Superannuation Plan. This multi-employer plan provides pensions based on length of service and the average of the highest five consecutive years of earnings. The Corporation and its employees make contributions to the plan as prescribed in the Public Service Superannuation Act and its regulations. N.B. Coal maintains a private contributory defined benefit pension plan for its employees.

Under both plans, pension costs are actuarially determined using the projected benefit method, pro-rated on services and management's best estimate assumptions. Adjustments arising from plan amendments, experience gains and losses, changes in actuarial assumptions and the difference between the actuarial present value of accrued pension obligations and the market related value of pension assets are amortized on a straight-line basis over the expected average remaining service lives of the respective employee group.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j. Early retirement programs**

The total cost of such programs is charged to income in the year the program is initiated, irrespective of when payments are actually made.

**k. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from the estimates.

**2. CHANGES IN ACCOUNTING POLICIES**

**Pension accounting**

Effective April 1, 1997, the Corporation prospectively changed the method of accounting for its share of the Province of New Brunswick Public Service Superannuation Plan from a cash basis to an accrual basis based on new information concerning the Corporation's portion of the assets and liabilities of the plan. Effective April 1, 1997, the Corporation's subsidiary, N.B. Coal, also changed its method of accounting for its private pension plan from a cash method to an accrual basis. These changes have resulted in a decrease to operation, maintenance and administration expenses and an increase to income in the year of \$11.5 million, and the creation of a pension asset for the same amount.

**3. SALES**

- a) Power sales to the Province of New Brunswick and other government owned organizations are recorded at normal commercial rates.
- b) Out-of-province sales of power include \$149.7 million (1997 - \$97.0 million) to utilities in the United States.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**4. DEPRECIATION, AMORTIZATION AND DECOMMISSIONING**

	1998	1997
Depreciation expense	\$ 174.5	\$ 175.8
Amortization of deferred charges	-	5.4
Charges for decommissioning	2.6	2.8
	<u>\$ 177.1</u>	<u>\$ 184.0</u>

**5. FINANCE CHARGES**

	1998	1997
Interest expense - on debentures and other loans	\$ 322.8	\$ 332.6
- on deferred liabilities	15.2	17.0
	338.0	349.6
Less: Income from sinking funds and other investments	30.8	40.9
	307.2	308.7
Provincial government guarantee fee	21.6	22.0
Amortization of debenture discount and expense	4.0	4.3
Amortization of unrealized foreign exchange	12.5	9.5
	345.3	344.5
Less: Interest capitalized	1.6	2.8
	<u>\$343.7</u>	<u>\$341.7</u>

**6. FUEL CHANNEL REMOVAL**

The Corporation is eliminating the fuel channel removal liability account over a three year period which commenced October 1, 1995, following a determination that there was no current requirement for the account. An amount of \$21.9 million has been credited to income in the year ended March 31, 1998 (1997 - \$35.1 million). The remaining balance in the account, amounting to \$8.8 million, will be credited to income in the fiscal year ending March 31, 1999.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**7. PROPERTY, PLANT AND EQUIPMENT**

	1998		1997	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Power generating stations <sup>1</sup>	\$ 3,679.4	\$ 1,320.3	\$ 4,116.7	\$ 1,197.4
Transmission system	248.7	101.8	248.0	96.8
Terminals and substations	388.4	164.4	382.5	154.5
Distribution system	636.6	231.6	614.6	215.8
Other properties	57.5	22.7	57.9	21.7
Communications equipment	16.1	8.0	16.1	7.2
Mining equipment and related assets	74.6	40.1	74.0	36.4
Motor vehicles and miscellaneous equipment	72.4	44.9	71.2	41.9
Conservation and energy management	5.4	-	5.0	-
Construction-in-progress	<u>22.9</u>	<u>-</u>	<u>20.3</u>	<u>-</u>
	5,202.0	1,933.8	5,606.3	1,771.7
Less: Contributions in aid of construction	<u>26.9</u>	<u>10.4</u>	<u>26.4</u>	<u>9.5</u>
	<u>\$ 5,175.1</u>	<u>\$ 1,923.4</u>	<u>\$ 5,579.9</u>	<u>\$ 1,762.2</u>

<sup>1</sup> Cost is net of amount transferred to deferred charges for the nuclear generating station as described in Note 10.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**8. UNREALIZED FOREIGN EXCHANGE DIFFERENCES, LESS AMOUNTS AMORTIZED**

	1998	1997
Exchange adjustment at balance sheet date	\$ 161.6	\$ 138.8
Less: accumulated amortization	<u>50.7</u>	<u>38.2</u>
	<u>\$ 110.9</u>	<u>\$ 100.6</u>

**9. DEFERRED PENSION BENEFIT**

Corporation employees belong to the Province of New Brunswick Public Service Superannuation Plan (Public Service Plan) as described in Note 1i. The Corporation changed its method of accounting for pension plans effective April 1, 1997 as described in Note 2a.

Actuarial valuations are prepared periodically to determine the costs of the pension benefits and the appropriate amounts of contributions to the fund. The actuarial method used incorporates management's or the plan owner's best-estimate assumptions to determine the present value of accrued pension benefit obligations based on projections of salaries and wages to normal retirement dates. The interest rate on accrued pension benefits and the rate of return on assets used in these calculations was 8.42%. The latest actuarial valuation done on the Public Service Plan was April 1, 1997.

The status of the costs and obligations of the Corporation's share of the Public Service Plan and N.B. Coal's private plan as at April 1, 1997 was as follows:

	<u>1998</u>
Pension fund assets (market value)	\$ 455.5
Accrued pension obligations	442.5
Determination of pension expense for the year is summarized below:	
Cost of benefits for the year	\$ 5.6
Interest cost on accrued benefits	36.8
Interest on pension fund assets	(37.9)
Amortization of transitional surplus	<u>(1.3)</u>
Pension expense	<u>\$ 3.2</u>

Total contributions to the plans in excess of pension expense, in the amount of \$11.5 million, have been set up as an asset under deferred charges.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**10. DEFERRED COST - NUCLEAR GENERATING STATION**

During the year, a technical and economic study of the nuclear generating station was undertaken by independent consultants to determine how maximum economic benefits can be achieved over the longer term. As part of this review, the consultants were asked to assess the remaining economic life of the facility. The study indicates that the plant will not be able to operate until the year 2014 as planned without a major refurbishment somewhere around the year 2008. Under the current depreciation policy, charges are based on the plant continuing to operate until the year 2014. Consequently, the current depreciation policy will not recover the capitalized value of the facility prior to either the required refurbishment or shutdown if a decision is made not to proceed with refurbishment.

The carrying value of the plant has been reduced by \$450 million, leaving an undepreciated amount that is recoverable over the period to 2008. An offsetting deferred charge of \$450 million has been recorded on the balance sheet as at March 31, 1998.

Over the coming fiscal year, the Corporation will identify a new revenue stream designed specifically to recover the deferred charge over a future period. The Province, as owner and legislator, will ensure the enabling environment for implementing the revenue stream to recover the deferred charge. In the event a definitive revenue stream cannot be identified, the deferred charge will be written off against income.

**11. LONG-TERM DEBT**

	1998	1997
Debentures guaranteed by the Province of New Brunswick	\$ 440.6	\$ 468.0
Debentures held by the Province of New Brunswick	3,021.1	3,098.3
Other long-term debt	<u>.1</u>	<u>5.1</u>
	3,461.8	3,571.4
Less: Payments due within one year	<u>99.3</u>	<u>134.1</u>
	<u>\$ 3,362.5</u>	<u>\$ 3,437.3</u>



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**11. LONG-TERM DEBT (continued)**

**Debentures and notes**

Date of maturity	Average Interest Rate	Canadian	US	1998	1997
Years ending:					
March 31, 1998		\$ -	\$ -	\$ -	\$100.0
March 31, 1999	6.6%	-	65.2	65.2	63.7
March 31, 2000	8.3%	100.0	-	100.0	124.7
March 31, 2001	10.6%	251.0	-	251.0	251.0
March 31, 2002	9.6%	250.0	-	250.0	250.0
March 31, 2003	8.0%	500.0	170.0	670.0	-
1-5 Years	8.7%	1,101.0	235.2	1,336.2	789.4
6-10 years	9.6%	670.0	-	670.0	1,336.1
11-30 Years	9.1%	675.0	764.9	1,439.9	1,422.5
Debentures and notes		\$2,446.0	\$1,000.1*	\$3,446.1	\$3,548.0

\* US \$ 706.0 million

The weighted average interest rate on all debentures and notes outstanding at March 31, 1998 is 9.06% (1997 - 9.07%)

Loan payable in annual installments of principal and interest at rates varying from 4.5% to 8.5% per annum to the year 2011.	15.6	18.3
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Other loans payable	.1	5.1
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<b>Total long-term debt</b>	<b>\$3,461.8</b>	<b>\$3,571.4</b>
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**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 year ended March 31, 1998  
 (in millions)

**11. LONG-TERM DEBT (continued)**

**Long-term debt payments**

Long-term debt maturities (after deducting sinking funds estimated to be available at maturity inclusive of actual earnings to March 31, 1998 and future earnings calculated at projected interest rates) and sinking fund requirements in respect of debt outstanding at March 31, 1998 are as follows for the five years ending March 31, 2003, using exchange rates in effect at March 31, 1998 for debt denominated in foreign currencies:

	<b>Debt maturities and sinking fund obligations (in millions)</b>
Year ending March 31, 1999	\$ 98.5
Year ending March 31, 2000	130.1
Year ending March 31, 2001	236.5
Year ending March 31, 2002	245.3
Year ending March 31, 2003	600.9

**Sinking funds**

The Minister of Finance of the Province of New Brunswick, as Trustee for the Corporation, maintains a sinking fund for all debenture issues where required. Sinking fund earnings are reflected in the Corporation's income. Corporation debentures held in the fund are cancelled at maturity or on the debenture call date. Sinking fund investments are deducted from long-term debt except where the legally enforceable right to offset does not exist. The amounts not offset, totaling \$70.1 million (1997 - \$57.1 million), have been reclassified as investments.

**Guarantee fee**

The Corporation pays an annual guarantee fee to the Province of New Brunswick, amounting to 0.6489% of the total, as at the previous year end, of long-term debt guaranteed by the Province, debentures held by the Province and short-term indebtedness to the Province, less the balance held in sinking funds.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**12. SHORT-TERM INDEBTEDNESS**

Short-term borrowings from banks are payable on demand. The Corporation has bank lines of credit, guaranteed by the Province of New Brunswick, for short-term borrowings totaling \$120 million. In addition, the Corporation borrows funds for temporary purposes from other sources, including the Province of New Brunswick, from time to time.

N.B. Coal has bank lines of credit which are secured by a general assignment of book debts.

The short-term borrowings from the Province of New Brunswick are \$193.8 million at March 31, 1998 (1997 - \$111.1 million).

**13. IRRADIATED FUEL MANAGEMENT AND PLANT DECOMMISSIONING**

	1998	1997
Balance, beginning of year	<u>\$ 172.3</u>	<u>\$ 159.2</u>
Amounts charged (or credited) to operations for		
- decommissioning	2.6	2.8
- disposal of nuclear fuel consumed during the year	(2.8)	(3.0)
- interest on decommissioning and irradiated fuel	<u>13.3</u>	<u>14.3</u>
	13.1	14.1
Less: Expenditures incurred during the year	<u>.7</u>	<u>1.0</u>
Balance, end of year	<u><u>\$ 184.7</u></u>	<u><u>\$ 172.3</u></u>

This amount is not funded.

**14. DEFERRED LIABILITIES - OTHER**

	1998	1997
Early retirement programs	\$ 24.3	\$ 29.0
Land reclamation costs	<u>.3</u>	<u>.4</u>
	24.6	29.4
Less: Amounts due within one year	<u>4.4</u>	<u>6.1</u>
	<u><u>\$ 20.2</u></u>	<u><u>\$ 23.3</u></u>



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**15. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT**

	1998	1997
Depreciation, amortization and decommissioning	\$ 177.1	\$ 184.0
Loss (gain) on disposal of property, plant and equipment	(.1)	.4
Amortization of debenture discount and expense	4.0	4.3
Amortization of unrealized foreign exchange	12.5	9.5
Irradiated fuel management	(2.7)	(3.0)
Interest on plant decommissioning and irradiated fuel management	13.3	14.3
Early retirement programs	.2	4.3
Other	1.9	2.6
	206.2	216.4
Transfer from generation equalization account	-	(32.9)
Transfer from fuel channel removal account	(21.9)	(35.1)
	\$184.3	\$148.4

**16. FINANCIAL INSTRUMENTS**

**Forward exchange contracts**

At March 31, 1998, the Corporation had outstanding forward exchange contracts, representing a net commitment to purchase US \$53.6 million at weighted average rates of exchange of approximately Cdn \$1.4084.

The fair value of forward exchange contracts as at March 31, 1998 is \$75.8 million.

**Fuel price swap agreements**

At March 31, 1998, the Corporation had outstanding oil swap contracts totaling \$25.4 million maturing over the next two years as follows:

	<u>US Notional Value</u>
1999	\$13.3
2000	<u>12.1</u>
	<u>\$25.4</u>

Under the agreements, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price for the associated fuel. The differential to be paid or received is reflected in the cost of fuel.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 1998  
(in millions)

**16. FINANCIAL INSTRUMENTS (continued)**

If the total outstanding contracts had been closed out at March 31, 1998, the net charge to income would have been US \$3.5 million.

**Fair value of debt and sinking funds**

The estimated fair value of long-term debt as at March 31, 1998 is \$4,076.6 million compared to a book value of \$3,461.8 million (1997 - \$3,979.5 million compared to \$3,571.4 million). The estimated fair value of all sinking funds as at March 31, 1998 is \$394.1 million compared to a book value of \$357.8 million (1997 - \$344.6 million compared to \$324.0 million).

**17. COMMITMENTS**

**Belledune Wharf**

The Corporation has entered into a twenty year operating lease, expiring in 2013, with a twenty year renewal option for the port facility at Belledune. This lease provides for annual charges of approximately \$4.5 million.

**18. CONTINGENCY**

N.B. Coal has an ongoing environmental responsibility to treat acidic water drainage from an inactive mine. Costs of treatment for the year ended March 31, 1998 were \$.5 million (1997- \$.5 million).

**19. COMPARATIVE FIGURES**

Certain 1997 figures have been reclassified to conform with 1998 financial statement presentation.





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**CONSOLIDATED FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**RESEARCH AND PRODUCTIVITY COUNCIL**

**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Honourable Camille Thériault  
Premier of the Province of New Brunswick

- and -

The Chairman and Members of the  
New Brunswick Research and Productivity Council

I have audited the consolidated statement of financial position of the New Brunswick Research and Productivity Council as at 31 March 1998 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1998 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
4 June 1998

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 MARCH 1998**

	Operating Fund	Capital Fund	1998 Total	1997 Total
<b>ASSETS</b>				
Current assets				
Cash and term deposits	\$ 921,012	\$ -	\$ 921,012	\$ 604,004
Accounts receivable	1,999,594	-	1,999,594	1,847,010
Work in progress (Note 2 (b))	209,502	-	209,502	181,402
Prepaid expenses	3,800	-	3,800	28,780
	<u>3,133,908</u>	<u>-</u>	<u>3,133,908</u>	<u>2,661,196</u>
Restricted cash and term deposits	-	1,852,339	1,852,339	1,562,191
Capital assets, net (Note 3)	-	1,923,933	1,923,933	1,776,392
	<u>\$ 3,133,908</u>	<u>\$ 3,776,272</u>	<u>\$ 6,910,180</u>	<u>\$ 5,999,779</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities				
Accounts payable	\$ 1,008,037	\$ -	\$ 1,008,037	\$ 555,803
Deferred revenue (Note 2 (b))	327,010	-	327,010	193,835
Current portion of long-term obligations	-	-	-	70,000
	<u>1,335,047</u>	<u>-</u>	<u>1,335,047</u>	<u>819,638</u>
Deferred contributions (Note 4)	-	62,694	62,694	57,325
Fund balances				
Unrestricted	1,798,861	-	1,798,861	1,911,558
Board restricted (Note 5)	-	1,852,339	1,852,339	1,562,191
Invested in capital assets	-	1,861,239	1,861,239	1,649,067
	<u>1,798,861</u>	<u>3,713,578</u>	<u>5,512,439</u>	<u>5,122,816</u>
	<u>\$ 3,133,908</u>	<u>\$ 3,776,272</u>	<u>\$ 6,910,180</u>	<u>\$ 5,999,779</u>

Approved by the Council



Chairman



Executive Director

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 MARCH 1998**

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	Operating Fund	Capital Fund	1998 Total	1997 Total
<b>REVENUE</b>				
Operations	\$ 6,968,463	\$ -	\$ 6,968,463	\$ 6,391,420
Operating grants				
Province of New Brunswick	740,700	-	740,700	755,801
Cooperation agreement	-	-	-	16,457
Interest	105,763	-	105,763	106,279
Sundry	24,074	-	24,074	8,589
Gain on sale of capital assets	-	2,320	2,320	1,000
	<u>7,839,000</u>	<u>2,320</u>	<u>7,841,320</u>	<u>7,279,546</u>
<b>EXPENSES</b>				
Operations	5,636,326	-	5,636,326	5,365,263
General and administrative	1,449,437	-	1,449,437	1,352,043
Amortization (Notes 3, 4 and 5)	292,034	-	292,034	229,720
Bad debts	73,900	-	73,900	40,965
	<u>7,451,697</u>	<u>-</u>	<u>7,451,697</u>	<u>6,987,991</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	387,303	2,320	389,623	291,555
Fund balances, beginning of year	1,911,558	3,211,258	5,122,816	4,831,261
Interfund adjustment (Note 5)	( 500,000)	500,000	-	-
<b>FUND BALANCES, end of year</b>	<u>\$ 1,798,861</u>	<u>\$ 3,713,578</u>	<u>\$ 5,512,439</u>	<u>\$ 5,122,816</u>

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	Operating Fund	Capital Fund	1998 Total	1997 Total
<b>CASH PROVIDED BY (USED FOR):</b>				
Operating activities				
Excess of revenue over expenses	\$ 387,303	\$ 2,320	\$ 389,623	\$ 291,555
Amortization	292,034	-	292,034	229,720
Gain on sale of capital assets	-	(2,320)	(2,320)	(1,000)
Bad debts expense	73,900	-	73,900	40,965
Net change in non-cash working capital	355,805	(70,000)	285,805	(309,322)
Net cash provided by operating activities	<u>1,109,042</u>	<u>(70,000)</u>	<u>1,039,042</u>	<u>251,918</u>
Financing and investing activities				
Reduction in long-term obligations	-	-	-	(70,000)
Proceeds on disposal of capital assets	-	4,618	4,618	1,000
Acquisition of capital assets	-	(466,392)	(466,392)	(487,493)
Deferred contributions towards capital assets	-	29,888	29,888	59,945
Net cash used in financing and investing activities	<u>-</u>	<u>(431,886)</u>	<u>(431,886)</u>	<u>(496,548)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,109,042</b>	<b>(501,886)</b>	<b>607,156</b>	<b>(244,630)</b>
Cash and term deposits, beginning of year	604,004	1,562,191	2,166,195	2,410,825
Interfund transfer (Note 5)	(792,034)	792,034	-	-
<b>CASH AND TERM DEPOSITS, end of year</b>	<b>\$ 921,012</b>	<b>\$ 1,852,339</b>	<b>\$ 2,773,351</b>	<b>\$ 2,166,195</b>

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Purpose of the organization**

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The New Brunswick Research and Productivity Council is a non-profit organization incorporated under the Research and Productivity Council Act 1962. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

**2. Significant accounting policies**

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**(a) Fund accounting**

Revenue and expenses associated with delivery of services and administrative support are reported in the Operating Fund. The Capital Fund reports assets, liabilities, gains and expenditure related to the acquisition, disposal and financing of capital assets, as well as the amount of net assets restricted for capital purposes.

**(b) Revenue recognition**

Revenue is determined to be earned and is recorded in the Operating Fund when services are performed. The value of work completed but not billed is reported as Work in Progress, while amounts which have been paid or billed in advance, but for which work has not been done, are reflected as Deferred Revenue. All interest income is reported in the Operating Fund in the year it is earned, while gains and losses relating to disposal of capital assets are reported in the Capital Fund in the year the disposal occurs.

**(c) Capital assets**

Capital assets are recorded in the Capital Fund at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Amortization expense is recorded in the Operating Fund as part of the cost of service delivery.

**(d) Consolidation policy**

These consolidated financial statements include the accounts of the Council and those of its wholly-owned subsidiary, Minuvar Ltd.

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 1998**

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**3. Capital assets**

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	Amortization Rates	1998	1997
Vehicles	25 percent	\$ 31,109	\$ 50,333
Computer equipment	25 percent	640,261	464,325
Other equipment	12.5 percent	4,280,534	4,181,399
Building	3 percent	1,810,736	1,786,335
Cost		<u>6,762,640</u>	<u>6,482,392</u>
Less: accumulated amortization		4,838,707	4,706,000
Capital assets, net		<u>\$ 1,923,933</u>	<u>\$ 1,776,392</u>

Amortization expense is comprised of the following amounts:

	1998	1997
Amortization of assets	\$ 316,553	\$ 246,767
Amortization of deferred contributions	( 24,519)	( 17,047)
	<u>\$ 292,034</u>	<u>\$ 229,720</u>

**4. Deferred contributions**

---

Deferred contributions reported in the Capital Fund represent the unamortized portion of external contributions received towards the cost of specific capital assets. Amortization of deferred contributions is calculated at the same rate as amortization of the assets to which they relate, and is netted with amortization expense for presentation purposes. This method of presentation became effective 1 April 1995.

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 1998**

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**4. Deferred contributions - continued**

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The changes for the year in the deferred contributions balance reported in the Capital Fund are as follows:

Deferred Contributions at 31 March 1997	\$57,325
Contribution to the cost of equipment	29,888
Amortization of deferred contributions	<u>(24,519)</u>
Deferred contributions at 31 March 1998	<u>\$62,694</u>

Contributions towards the cost of capital assets in years prior to 1 April 1995 were credited to the cost of the related assets and thus reduced the net asset value subject to amortization. Since the Council's inception it has been the recipient of capital funding from a variety of programs; details concerning the amount and classification of assets funded through these programs are not reasonably determinable. For this reason capital assets purchased prior to 1 April 1995 continue to be carried at cost net of external contributions.

**5. Interfund transfers and internally restricted fund balances**

---

The board of directors of the New Brunswick Research and Productivity Council internally restricted resources amounting to \$1,852,339 as at 31 March 1998. This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. This amount includes a 31 March 1998 transfer of \$792,034 from the Operating Fund to the Capital Fund. This transfer represents amortization expense of \$292,034, which was charged against the Operating Fund, and an additional amount from the Operating Fund of \$500,000.

**6. Related party transactions**

---

During the year the Council provided services to government departments and Crown agencies of the Province of New Brunswick.

The Council provides these services under its normal terms and conditions.

	1998	1997
Revenue from services provided for the year		
Government departments and agencies	\$1,384,553	\$1,060,230
Accounts receivable at 31 March		
Government departments and agencies	\$675,378	\$511,075

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**FINANCIAL STATEMENTS**  
**PREMIER'S COUNCIL ON**  
**THE STATUS OF DISABLED PERSONS**  
**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



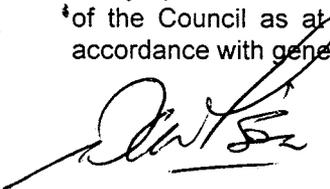
## AUDITOR'S REPORT

To the Chairperson and Members of  
Premier's Council on the Status of Disabled Persons

I have audited the balance sheet of the Premier's Council on the Status of Disabled Persons as at 31 March 1998 and the statements of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
28 May 1998

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Cash	\$ 10,991	\$ 11,588
Accounts receivable	10,237	5,036
Prepaid expenses	1,152	2,873
	<b>\$ 22,380</b>	<b>\$ 19,497</b>

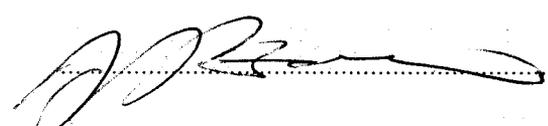
**LIABILITIES AND SURPLUS**

Current liabilities		
Accounts payable and accrued liabilities	\$ 2,457	\$ 3,326
Surplus		
Unappropriated	7,854	7,374
Appropriated (Note 1)	12,069	8,797
	19,923	16,171
	<b>\$ 22,380</b>	<b>\$ 19,497</b>

Approved by the Council



..... Chairperson



..... Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998 Budget	1998 Actual	1997 Actual
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 223,400	\$ 224,900	\$ 223,300
Cost recoveries	3,500	27,523	1,653
Interest revenue	-	7	7
	<u>226,900</u>	<u>252,430</u>	<u>224,960</u>
<b>EXPENDITURE</b>			
Salaries and employee benefits	162,897	167,719	162,777
Furniture and equipment	-	21,845	3,084
Office supplies	7,500	4,687	4,941
Telephone	6,500	3,429	5,927
Printing	6,900	5,910	7,335
Translation	7,000	6,985	6,288
Honoraria	7,237	5,625	6,962
Travel expenses	5,995	8,593	7,522
Postage	6,000	4,906	3,975
Maintenance	1,800	811	1,696
Hotel expenses	3,691	3,858	3,469
Parking	3,360	3,360	2,577
Council meetings	4,000	1,374	2,630
Consultations and seminars	-	4,794	327
Meals	1,800	1,514	1,549
Library and subscriptions	1,800	1,667	2,061
Office equipment rental	3,568	650	350
Insurance	414	451	451
Miscellaneous	2,042	368	455
Bank charges	75	132	64
	<u>232,579</u>	<u>248,678</u>	<u>224,440</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	<b>\$ (5,679)</b>	<b>\$ 3,752</b>	<b>\$ 520</b>
Allocated as follows:			
Unappropriated surplus	\$ (5,679)	\$ 480	\$ 513
Appropriated surplus	-	3,272	7
	<u>\$ (5,679)</u>	<u>\$ 3,752</u>	<u>\$ 520</u>

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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
Unappropriated surplus:		
Balance, beginning of year	\$ 7,374	\$ 6,861
Allocation of excess of revenue over expenditure for the year	480	513
Balance, end of year	<u>7,854</u>	<u>7,374</u>
Appropriated surplus:		
Balance, beginning of year	8,797	8,790
Allocation of excess of revenue over expenditure for the year (Note 1)	3,272	7
Balance, end of year	<u>12,069</u>	<u>8,797</u>
<b>TOTAL SURPLUS, end of year</b>	<u>\$ 19,923</u>	<u>\$ 16,171</u>

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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies**

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**(a) Capital assets**

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

**(b) Services provided by the Province of New Brunswick**

The Council uses an office for which rent is paid by the Province of New Brunswick. Therefore, no rental charge has been included in the Council's expenses.

**(c) Appropriated surplus**

Revenues other than the provincial grant have been designated by the Council for the expressed purpose of stimulating popular participation of the disabled throughout the Province in activities of the Council. To reflect the restricted use of these funds a special appropriated surplus account was created. Revenues, net of related expenses, are included in this special surplus account. The Council will utilize these funds to offset the increasing cost of enabling persons with disabilities to attend Council meetings or to obtain information.

**(d) Other activities - National Access Awareness Week**

The Council acts as a co-ordinator for National Access Awareness Week (N.A.A.W.). Funds received for N.A.A.W. are deposited in a bank account under the control of the provincial N.A.A.W. committee. These funds are not available for Council expenditures and do not appear in these financial statements.

**2. Budget information**

---

The budget information for 1998 deals only with the general operations of the Council.

During the current year the Council undertook activities, the costs of which were recovered. Neither the revenue nor the expenses related to these activities are included in the budget for general operations.

**3. Comparative figures**

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The 1997 figures have been restated to conform with the 1998 presentation.

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**FINANCIAL STATEMENTS**  
**PROVINCIAL HOLDINGS LTD.**  
**31 MARCH 1998**

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Office of the  
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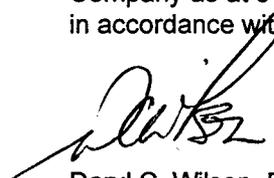
## AUDITOR'S REPORT

To the Shareholders of  
Provincial Holdings Ltd.

I have audited the balance sheet of Provincial Holdings Ltd. as at 31 March 1998 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



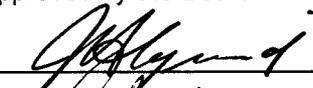
Daryl C. Wilson, FCA  
Auditor General

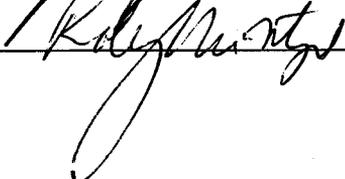
Fredericton, N. B.  
15 September 1998

**PROVINCIAL HOLDINGS LTD.  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 1,936,324	\$ 1,683,952
Accounts receivable	400,000	-
Interest receivable	127,476	128,254
Due from the Province of New Brunswick	12,183	12,892
	<u>2,475,983</u>	<u>1,825,098</u>
Industrial development projects (Notes 2(a) and 3)		
Loans to client companies	17,171,733	20,115,502
Shares in client companies	9,380,372	10,584,860
Mining rights	1,575,000	1,575,000
	<u>28,127,105</u>	<u>32,275,362</u>
Less: Provision for loss	17,700,106	19,450,096
	<u>10,426,999</u>	<u>12,825,266</u>
Capital assets (Note 2(b))		
Land and building, at cost	-	1,416,872
Less: Accumulated amortization	-	1,303,653
	<u>-</u>	<u>113,219</u>
	<u>\$12,902,982</u>	<u>\$14,763,583</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 4,196	\$ 1,961
Long-term debt		
Due to Province of New Brunswick (Note 3)	21,933,044	27,080,885
Less: Provision for loss on industrial development projects (Note 2(a))	11,570,127	14,320,116
	<u>10,362,917</u>	<u>12,760,769</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each		
Issued and fully paid: 500 shares	5,000	5,000
Retained earnings	2,530,869	1,995,853
	<u>2,535,869</u>	<u>2,000,853</u>
	<u>\$12,902,982</u>	<u>\$14,763,583</u>

Approved by the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998	1997
<b>REVENUE</b>		
Provincial contributions for grants to industry	\$1,000,000	\$ -
Gain on sale of Grandview Building	357,625	-
Bad debts recovery – Provincially funded (Note 2(a))	387,278	1,608,962
– Other	-	100,000
Interest income	155,470	153,099
Rental income - Grandview building	111,700	111,700
Miscellaneous	12,355	-
Capital gain on investment	9,452	217,500
	<u>2,033,880</u>	<u>2,191,261</u>
<b>EXPENSE</b>		
Grants to Industry	<u>1,000,000</u>	-
Grandview building Amortization	<u>70,844</u>	<u>70,844</u>
General		
Mining rights	-	2,195
Bad debts – Provincially funded (Note 2(a))	387,278	1,608,962
– Other	2,587	77,532
Interest receivable transferred (Note 7)	37,662	-
Other	493	130
	<u>428,020</u>	<u>1,688,819</u>
	<u>1,498,864</u>	<u>1,759,663</u>
<b>NET INCOME FOR THE YEAR</b>	535,016	431,598
Retained earnings, beginning of year	1,995,853	1,741,026
	<u>2,530,869</u>	<u>2,172,624</u>
Dividends paid	-	176,771
<b>RETAINED EARNINGS, end of year</b>	<u>\$2,530,869</u>	<u>\$1,995,853</u>

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998	1997
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net income for the year	\$ 535,016	\$ 431,598
Add (deduct) items not requiring, or generating cash		
Amortization	70,844	70,844
Gain on sale of building	(357,625)	-
	<u>248,235</u>	<u>502,442</u>
Changes in non-cash working capital components*	(396,279)	(247,389)
	<u>(148,044)</u>	<u>255,053</u>
Investing activities:		
Industrial development projects - recoveries		
Payments collected	1,618,586	748,466
Industrial development projects - investments		
Loans	(1,090,340)	(947,996)
Shares	-	(47,062)
Proceeds on sale of building	400,000	-
Loans transferred to the Province (Note 7)	4,620,012	-
	<u>5,548,258</u>	<u>(246,592)</u>
Financing activities:		
Advance from the Province	1,090,340	947,996
Repayments to the Province	(1,618,170)	(748,467)
Dividends paid	-	(176,771)
Loans transferred to the Province (Note 7)	(4,620,012)	-
	<u>(5,147,842)</u>	<u>22,758</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>252,372</b>	<b>31,219</b>
Cash position, beginning of year	<u>1,683,952</u>	<u>1,652,733</u>
<b>CASH POSITION, end of year</b>	<b><u>\$1,936,324</u></b>	<b><u>\$1,683,952</u></b>

\*Non-cash working capital components includes accounts receivable, interest receivable, due from the Province of New Brunswick and current liabilities.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Description of operations**

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Provincial Holdings Ltd. was established in 1973 under the Companies Act of the Province of New Brunswick. The Company is wholly owned by the Province of New Brunswick and is responsible for administering industrial development project investments. The administration of the Company's affairs is carried out by employees of the Province of New Brunswick under the direction of the Company's Board of Directors. All costs associated with these employees are paid by the Province.

**2. Summary of significant accounting policies**

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The financial statements are prepared in accordance with generally accepted accounting principles.

(a) Industrial development projects

The Company's investments in industrial development projects are carried at cost except where, by agreement, interest on such projects is capitalized. In these cases the capitalized interest is added to the cost of the investment.

To recognize potential losses relating to industrial development project investments, the Company maintains a provision for loss against its investments. Pursuant to Treasury Board minute 74-57, any losses arising on investments funded by advances from the Province of New Brunswick will be borne by the Province through a corresponding reduction in the long term debt of the Company. As a result of this undertaking by the Province, any losses recorded as an expense by the Company are offset by a recovery from the Province.

(b) Capital assets

Amortization on the building was taken at 5% per annum on a straight-line basis. The building was sold on 31 March 1998.

**3. Long-term debt**

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Pursuant to Treasury Board Minute 74-57, advances from the Province of New Brunswick are interest free and are to be repaid from recoveries of amounts invested in industrial development projects.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**4. Outstanding commitments**

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At 31 March 1998, the Company had outstanding commitments in respect of investments in industrial development projects and grants to industry of \$2,427,738 (31 March 1997 - \$3,930,340).

**5 Related party transactions**

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- (a) The Company approved an interest free loan of \$600,000 to a Crown agency. The \$600,000 loan was fully advanced at 31 December 1988, and was being repaid in annual instalments of \$70,000. The balance outstanding at 31 March 1997 was \$70,000; this amount was repaid during 1997-1998.
- (b) The Company acts as an agent for the Province of New Brunswick for the Self Start Program. Funds are advanced by the Province to cover any guaranteed loans called by the bank. Any amounts paid by Provincial Holdings Ltd. under the terms of the Program reduce the advance from the Province. During 1998, \$390,594 (1997 - \$737,184) was advanced to the Company and \$398,234 (1997 - \$734,096) was paid out under the terms of the Program.
- (c) On 26 June 1996, the Executive Council approved the establishment of a New Brunswick Government administered Venture Capital Fund under the terms of Citizenship and Immigration Canada's Immigrant Investor Program. Provincial Holdings Ltd. was authorized to advance up to \$190,000 to pay for set-up expenses associated with implementing the fund's operations. During 1998, \$100 was advanced to the fund (1997 - \$13,811). A second fund was established on 18 March 1998. The Company was authorized to advance up to \$20,000 to pay for set-up expenses associated with implementing the fund's operations. During 1998, \$6,000 was advanced to the fund.

**6. Contingent liabilities**

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The Company has guaranteed loans of certain companies under the Self Start Program. At 31 March 1998, the contingent liability in respect of these guarantees was \$2,598,199 (31 March 1997 - \$3,562,820). The Company has also guaranteed a loan to a client company. Under the agreement, the amount guaranteed shall not exceed the lesser of \$7,500,000 or 50% of the balance of the loan. The contingent liability in respect of this guarantee was \$6,373,510 (31 March 1997 - \$7,500,000) at 31 March 1998. Any resulting losses will be borne by the Province of New Brunswick.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**7. Transfer of Venture Capital Support loans**

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Venture Capital Support Program loans and associated interest receivable were transferred from Provincial Holdings Ltd. to the Province of New Brunswick on 31 March 1998. The total loan balance transferred was \$4,620,012. The provision associated with these loans totalled \$3,096,468. Interest receivable transferred was \$65,118 along with its provision for loss of \$27,456. These two transfers also resulted in a decrease in long term debt due to the Province relating to loans transferred and a decrease in retained earnings relating to the interest receivable transferred.

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**FINANCIAL STATEMENTS**  
**REGIONAL DEVELOPMENT CORPORATION**  
**31 MARCH 1998**

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vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
Regional Development Corporation  
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation as at 31 March 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
11 August 1998

**REGIONAL DEVELOPMENT CORPORATION  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Cash	\$ 581,632	\$ 2,747,913
Accounts receivable		
Canada - Regional Economic Development Agreement	3,398,468	10,444,328
- Other	1,677,757	3,753,992
Province of New Brunswick – operating and capital funds	2,166,743	-
Other	50,159	31,430
	<u>7,874,759</u>	<u>16,977,663</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 2)	5,000,000	5,000,000
	<u>\$12,874,759</u>	<u>\$21,977,663</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable		
Province of New Brunswick - claims on Canada	\$ 5,104,120	\$14,198,320
- operating and capital funds	-	1,630,911
Other	2,770,639	1,148,432
	<u>7,874,759</u>	<u>16,977,663</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust	5,000,000	5,000,000
	<u>\$12,874,759</u>	<u>\$21,977,663</u>

Approved by the Board

*J. Smith*

Chairperson

*[Signature]*

Director

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**REGIONAL DEVELOPMENT CORPORATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1998**

---

	1998	1997
<b>REVENUE</b>		
Federal contribution (Schedule 1)	\$21,555,107	\$23,244,371
Provincial contribution (Schedule 2)	48,586,713	51,593,715
Other revenue	11,716	(41,936)
	<u>70,153,536</u>	<u>74,796,150</u>
<b>EXPENDITURE</b>		
Regional Economic Development Agreement		
Cultural Development - Cooperation	-	(17,624)
Economic Diversification - Cooperation	7,363,300	10,605,217
Planning Development - Cooperation	51,242	441,832
Urban Economic Development - Cooperation	775,000	3,201,452
Economic Development - Cooperation	4,623,023	7,374,755
Entrepreneurship & Human Resources Development - Cooperation	883,396	2,628,776
New Framework	12,391,660	3,469,884
	<u>26,087,621</u>	<u>27,704,292</u>
Other Activities		
Economic Development Fund	15,174,833	10,791,460
Youth Futures	5,882,552	6,906,403
NB Works – Training Development	2,599,397	5,481,501
Official Languages	4,044,750	3,509,970
Development Assistance Program	1,964,514	3,352,885
Provincial Assistance Program	200,000	4,738,347
Operations	1,883,821	1,650,251
Centres scolaires communautaires	1,376,636	1,374,369
Grant to Special Operating Agency	7,853,000	6,973,848
Other Initiatives (Schedule 3)	3,086,412	2,312,824
	<u>44,065,915</u>	<u>47,091,858</u>
	<u>70,153,536</u>	<u>74,796,150</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ Nil</u>	<u>\$ Nil</u>

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**REGIONAL DEVELOPMENT CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1998**

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	1998	1997
<b>Schedule 1 - Revenue - Federal contribution</b>		
Regional Economic Development Agreement	\$17,586,651	\$18,056,467
Other activities		
Youth Futures	-	8,295
N. B. Works - Training Development	1,293,300	2,940,751
Official Languages	2,675,156	2,238,858
	<u>\$21,555,107</u>	<u>\$23,244,371</u>

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**Schedule 2 - Revenue - Provincial contribution**

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Regional Economic Development Agreement	\$ 8,489,254	\$ 9,695,671
Other activities		
Economic Development Fund	15,174,833	10,791,460
Youth Futures	5,882,552	6,898,107
N. B. Works - Training Development	1,306,097	2,540,751
Official Languages	1,369,594	1,271,112
Development Assistance Program	1,964,514	3,352,885
Provincial Assistance Program	200,000	4,738,347
Operations	1,883,821	1,644,341
Centres scolaires communautaires	1,376,636	1,374,369
Special Operating Agency	7,853,000	6,973,848
Other Initiatives	3,086,412	2,312,824
	<u>\$48,586,713</u>	<u>\$51,593,715</u>

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**Schedule 3 - Expenditure - Other initiatives**

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Atlantic Canada Tourism Partnership	\$ 534,620	\$ 476,780
International Business Development Management	60,617	110,401
Atlantic Sire Stakes	111,000	111,000
Aboriginal Economic Development Program	236,278	172,828
Action North	1,428,256	633,386
Regional Planning	172,949	17,359
Tracadie - Sheila Two Rivers Project	-	342,233
Projects approved by Order in Council	542,692	448,837
	<u>\$ 3,086,412</u>	<u>\$ 2,312,824</u>

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies**

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**a) General comments on operations**

The Regional Development Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation has administrative responsibility for all provincially delivered programs under the Regional Economic Development Agreement. The Corporation is also responsible for a number of other projects assigned to it by the Province.

Federal contributions are in some instances paid directly to project recipients. Such payments are not recorded in the revenues and expenditures of the Corporation.

The Regional Development Corporation established a Special Operating Agency (SOA) effective 31 March 1994. Amounts provided to the Corporation by the Province, which were subsequently transferred to the SOA, are shown in the Corporation's statement of revenue and expenditure. Amounts provided by other agencies or departments of government to the SOA are included in the financial statement of the SOA but are not included in these financial statements.

**b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected. In accordance with this basis of accounting, federal contributions are recorded as revenue when funding has been approved under the applicable agreement and the qualifying expenditures incurred.

Expenditures recorded under cost sharing agreements represent costs incurred by the Corporation in the implementation of approved projects. Included are certain expenditures that are ineligible for cost sharing under the terms of the agreements, and expenditures in excess of budgets approved under those agreements. In some cases expenditures are approved for cost sharing in a subsequent year.

**2. Fundy Trail Endowment Fund**

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The Province of New Brunswick and the Government of Canada have agreed to the establishment of this fund. The sole purpose of the fund is to assist in the construction of a scenic roadway from St. Martins, N.B. to Alma, N.B.

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**2. Fundy Trail Endowment Fund - continued**

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The Province of New Brunswick has advanced \$5 million to this fund. This \$5 million was advanced through the Regional Development Corporation. At a future date all or part of this \$5 million may be returned to the Regional Development Corporation. This date is to be no later than 31 March 2010.

**3. Initiatives of Provincial Departments**

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During the 1998 fiscal year the Corporation provided the administrative vehicle through which the Department of Fisheries and Aquaculture and the Department of Finance implemented the Fisheries Research and Training Project and the Tobacco Sales Enforcement Initiative respectively. The Corporation paid approximately \$1.8 million in costs on behalf of these Departments which were fully recovered from Canada and other organizations. The net costs and recoveries are reflected in these financial statements.

**4. Commitments**

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Under the Regional Economic Development Agreement, the provincial government has committed funds subsequent to 31 March 1998 totalling approximately \$26 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**5. Contingent liabilities**

---

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Corporation in the period of settlement.

The Corporation has guaranteed loans of certain organizations. At 31 March 1998 the contingent liability in respect of these guarantees was \$4,000,000 (31 March 1997 - \$1,600,000). Any resulting losses will be borne by the Corporation.

**6. Comparative figures**

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Certain 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.



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**FINANCIAL STATEMENTS**  
**REGIONAL DEVELOPMENT CORPORATION**  
**SPECIAL OPERATING AGENCY**  
**31 MARCH 1998**

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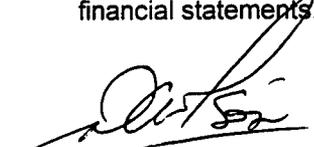
## AUDITOR'S REPORT

The Chairperson and Directors  
Regional Development Corporation  
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation - Special Operating Agency as at 31 March 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Regional Development Corporation - Special Operating Agency as at 31 March 1998 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements.



Daryl C. Wilson, FCA  
Auditor General

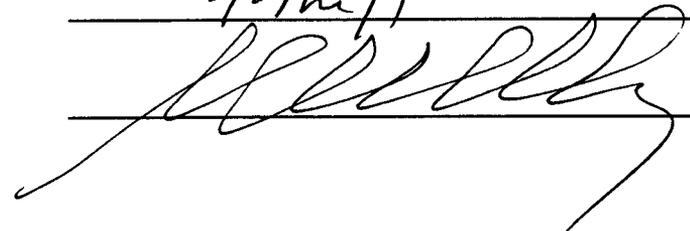
Fredericton, N. B.  
11 August 1998

**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
BALANCE SHEET  
31 MARCH 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Accounts receivable		
Canada		
- Infrastructure Agreement	\$ 1,416,112	\$ 2,538,442
Province of New Brunswick		
- Operating and capital funds	5,570,262	47,011
	\$ 6,986,374	\$ 2,585,453
<b>EQUITY</b>		
Equity	\$ 6,986,374	\$ 2,585,453

Approved by the Board

  
 \_\_\_\_\_ Chairperson

  
 \_\_\_\_\_ Director

**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998	1997
<b>REVENUE</b>		
Federal contribution		
- Infrastructure Agreement	\$ 8,659,909	\$ 11,201,406
- Rural Experience Program	18,321,770	-
Total Federal	<u>26,981,679</u>	<u>11,201,406</u>
Provincial contribution		
- Infrastructure Agreement	8,659,909	11,201,406
- Other	24,333,489	9,733,142
Total Provincial	<u>32,993,398</u>	<u>20,934,548</u>
	<u>59,975,077</u>	<u>32,135,954</u>
<b>EXPENDITURE</b>		
Rural Experience Program	36,915,373	-
Infrastructure Agreement	17,319,818	22,402,812
Jobs Plus Program	-	10,773,848
Appalachian Range Initiative	492,862	250,442
Fisheries Facilities Expansion	594,975	152,720
Fundy Trail Parkway	251,128	-
	<u>55,574,156</u>	<u>33,579,822</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	4,400,921	(1,443,868)
Equity, beginning of year	2,585,453	4,029,321
<b>EQUITY, end of year</b>	<u>\$ 6,986,374</u>	<u>\$ 2,585,453</u>

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**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Summary of significant accounting policies**

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**a) General comments on operations**

The Regional Development Corporation Special Operating Agency (SOA) was established effective 31 March 1994. The SOA was formed initially for the purpose of providing financial management for the Canada - New Brunswick Infrastructure Agreement. The Agency is now also responsible for a number of other projects assigned to it by the Province.

The equity balance for the SOA represents amounts funded by the Province for future expenditures by the SOA.

**b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected. In accordance with this basis of accounting, federal contributions are recorded as revenue when funding has been approved under the applicable agreement and the qualifying expenditures incurred.

Expenditures recorded under cost sharing agreements represent costs incurred by the Agency in the implementation of approved projects. Included are certain expenditures which are ineligible for cost sharing under the terms of the agreements, and expenditures in excess of budgets approved under those agreements. In some cases expenditures are approved for cost sharing in a subsequent year.

**2. Commitments**

---

Under the Infrastructure Agreement the provincial government has committed funds subsequent to 31 March 1998 totalling approximately \$6.7 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**3. Contingent liabilities - federal contributions**

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Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Agency in the period of settlement.





Financial Statements

## **STRAIT CROSSING FINANCE INC.**

Year ended October 30, 1997



KPMG  
Chartered Accountants

Frederick Square  
77 Westmorland Street Suite 700  
Fredericton New Brunswick E3B 6Z3  
Canada

Telephone (506) 452-8000  
Telefax (506) 450-0072  
<http://www.kpmg.ca>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the statement of financial position of Strait Crossing Finance Inc. as at October 30, 1997 and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at October 30, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Fredericton, NB, Canada  
January 26, 1998

# STRAIT CROSSING FINANCE INC.

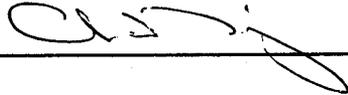
## Statement of Financial Position

October 30, 1997, with comparative figures for 1996

	1997	1996
<b>Asset</b>		
Cash	\$ 1	\$ 1
<b>Shareholders' Equity</b>		
Shareholders' equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	\$ 1	\$ 1

See accompanying notes to financial statements.

On behalf of the Board:



Director

**STRAIT CROSSING FINANCE INC.**

## Statement of Earnings and Retained Earnings

Year ended October 30, 1997, with comparative figures for 1996

	1997	1996
Revenue:		
Financial maintenance fee (note 2(d))	\$ 58,543	\$ 61,328
Expenses:		
Trustee fees	56,183	58,858
Professional services	2,110	2,220
Filing fees	250	250
	58,543	61,328
Net earnings, being retained earnings, end of year	\$ -	\$ -

See accompanying notes to financial statements.

## **STRAIT CROSSING FINANCE INC.**

Notes to Financial Statements, continued

Year ended October 30, 1997

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(c) Developer Loan Agreement:

The proceeds from the issuance of Bonds were loaned by SC Finance to SC Development pursuant to a Developer Loan Agreement (the "Agreement") dated October 7, 1993. The Promissory Note from SC Development is unsecured and bears interest at a rate equivalent to that owing on the Bonds. The Promissory Note cannot be assigned or transferred by SC Finance without the consent of SC Development. The repayment terms of the Promissory Note are matched exactly with the payments required on the Bonds.

Under the terms of the Agreement, when the Bond Trustee receives a payment from the Government of Canada under the Subsidy Agreement, SC Finance must, on the same day, make a Contribution in the same amount to SC Development provided that SC Finance has received the required payment from SC Development under the Promissory Note.

Since the Promissory Note from SC Development is exactly matched by SC Finance's obligation to make Contributions to SC Development, and SC Finance and SC Development intend to settle these assets and liabilities simultaneously, the Promissory Note from SC Development and the Contributions due to SC Development have been removed from the Company's statement of financial position.

(d) Financial Maintenance Fee:

Under the Developer Loan Agreement, SC Finance is entitled to receive a Financial Maintenance Fee from SC Development to compensate SC Finance for on-going financial services. The Financial Maintenance Fee is to be equal to the costs SC Finance incurs with respect to the maintenance of records, including the fees and expenses of the Bond Trustee, less any other net revenues received.

# STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 1997

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## 1. Incorporation:

Strait Crossing Finance Inc. (SC Finance or the Company) was incorporated under the Canada Business Corporations Act as a special purpose corporation. Its sole business is restricted to the issuance and sale of Indexed Fully Amortizing Bonds due April 1, 2032, the lending of money to and making payments to Strait Crossing Development Inc. (SC Development) and matters related thereto.

The outstanding share of SC Finance is owned by Her Majesty the Queen in Right of New Brunswick. No shareholder is entitled to transfer any shares of SC Finance. SC Finance is exempt from taxes otherwise payable under the provisions of section 149(1)(d) of the Income Tax Act (Canada).

## 2. Transactions and agreements:

### (a) Issue of Bonds:

On October 7, 1993, SC Finance issued Indexed Fully Amortizing Bonds (the "Bonds") in the principal amount of \$661,542,612 maturing on April 1, 2032. The Bonds will bear interest at an annual real rate, compounded annually, equivalent to 4.50% compounded semi-annually. Irrespective of any decline in the level of the consumer price index over any period after May 27, 1992, the aggregate payment to be made on the Bonds on May 31, 1997 will not be less than \$35,012,328 and on April 1, 1998 will equal at least \$41,900,000. On any subsequent Payment Date, the aggregate payment to be made on the Bonds will be not less than the highest payment made on any previous Payment Date, except for the payment made on April 1, 2032. No interest payments are required on the Bonds until May 31, 1997. Commencing May 31, 1997 and thereafter on April 1st of each year, 36 annual payments are due on account of principal and interest, such that all interest and principal will be fully repaid as of April 1, 2032.

### (b) Subsidy Agreement and Assignment:

Also on October 7, 1993, SC Finance entered into a Subsidy Agreement with the Government of Canada whereby Canada agreed to make payments to SC Finance which correspond in timing and amount with the payments required on the Bonds, as described above. On the same date, SC Finance irrevocably assigned its rights to receive payments under the Subsidy Agreement to the Bond Trustee. The recourse of the Bondholders is limited to the Bond Trustee's right to receive payments under the Subsidy Agreement. Since an obligation of the Government of Canada has been irrevocably assigned to a trust, solely to satisfy the scheduled interest and principal repayment requirements of the Bonds, the Bonds are considered extinguished for financial reporting purposes. Accordingly, the Bonds payable and the amounts receivable under the Subsidy Agreement have been removed from the Company's statement of financial position.

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**FINANCIAL STATEMENTS  
WORKPLACE HEALTH, SAFETY AND  
COMPENSATION COMMISSION  
OF NEW BRUNSWICK  
31 DECEMBER 1997**

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## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **BALANCE SHEET**

**December 31, 1997**

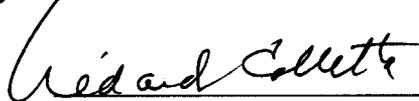
	<u>1997</u>	<u>1996</u>
	(\$000)	(\$000)
<b>ASSETS</b>		
Receivables (Note 3)	6,891	5,900
Recoverable benefits liabilities (Note 2)	63,290	59,044
Investments (Note 4)	444,335	403,773
Capital assets (Note 5)	7,855	8,762
Other assets	<u>343</u>	<u>354</u>
	<u><u>522,714</u></u>	<u><u>477,833</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Payables and accruals (Note 6)	11,192	9,914
Benefits liabilities (Notes 7 and 8)	<u>498,699</u>	<u>461,871</u>
Total liabilities	509,891	471,785
Fund balance	<u>12,823</u>	<u>6,048</u>
	<u><u>522,714</u></u>	<u><u>477,833</u></u>
Contingent liability (Note 14)		



Garry Sudul  
Board Member



Jim MacDonald  
Board Member



Médard Collette  
Chairperson, Board of Directors

#### **AUDITORS' REPORT**

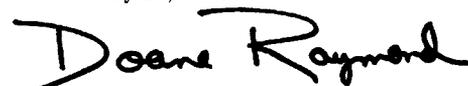
To the Honourable Minister of Advanced Education and Labour of the Province of New Brunswick

We have audited the balance sheet of the Workplace Health, Safety and Compensation Commission of New Brunswick as at December 31, 1997 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Workplace Health, Safety and Compensation Commission of New Brunswick as at December 31, 1997 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Saint John, New Brunswick  
February 27, 1998



Chartered Accountants

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **STATEMENT OF OPERATIONS AND FUND BALANCE**

**Year ended December 31, 1997**

	1997		1996
	Budget	Actual	Actual
	(\$000)		(\$000)
<b>INCOME</b>			
Assessments (Note 9)	64,433	63,055	60,244
Funding policy assessment (Note 9)	9,000	9,000	18,500
Self-insured employers (Note 10)	15,500	13,929	13,027
Investments and other (Note 4)	36,500	47,806	41,253
Province of New Brunswick	1,085	1,085	1,648
	<u>126,518</u>	<u>134,875</u>	<u>134,672</u>
<b>EXPENSES</b>			
Claims costs incurred (Note 7)			
Short-term disability	18,391	24,673	19,461
Long-term disability	28,895	29,683	26,181
Survivor benefits	8,030	4,212	5,457
Health care	20,960	26,255	31,490
Rehabilitation	5,757	3,460	3,651
	<u>82,033</u>	<u>88,283</u>	<u>86,240</u>
Administration			
Operations (Note 11)	17,941	16,206	16,512
Occupational health and safety (Note 11)	4,757	4,451	4,700
Appeals Tribunal	1,113	950	1,025
Legislative obligations (Note 12)	469	533	494
Risk management rebates	1,000	200	374
Projects and research	620	149	418
	<u>107,933</u>	<u>110,772</u>	<u>109,763</u>
Excess of income over expenses before unusual item	<u>18,585</u>	<u>24,103</u>	<u>24,909</u>
Unusual item (Note 7 iii):			
Effect of legislative amendments	0	(20,677)	0
Recovery from self-insured employers	0	3,349	0
	<u>0</u>	<u>(17,328)</u>	<u>0</u>
Excess of income over expenses for the year	<u>18,585</u>	<u>6,775</u>	<u>24,909</u>
Fund balance (unfunded liability), beginning of year		6,048	(19,140)
Excess of income over expenses for the year		6,775	24,909
Transfer from contingency reserves		0	279
Net change in fund balance		<u>6,775</u>	<u>25,188</u>
Fund balance, end of year		<u>12,823</u>	<u>6,048</u>
Shortfall from funding policy (Note 2)		<u>(12,672)</u>	<u>(17,541)</u>

*Financial Statements*

**WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION  
OF NEW BRUNSWICK**

**STATEMENT OF CASH FLOWS**

**Year ended December 31, 1997**

	<u>1997</u>	<u>1996</u>
	(\$000)	(\$000)
<b>Cash flow from operating activities:</b>		
Cash received from:		
Assessed employers	73,075	76,276
Self-insured employers	13,067	13,970
Investments and other	48,125	42,224
Province of New Brunswick	900	1,641
	<u>135,167</u>	<u>134,111</u>
Cash paid:		
To injured workers or third parties on their behalf	72,132	70,033
For administration requirements and other goods and services	21,109	20,554
To Minister of Finance re: Regional Hospital Corporations	0	12,712
	<u>93,241</u>	<u>103,299</u>
Net cash provided by operating activities	<u>41,926</u>	<u>30,812</u>
<b>Cash flow from investing activities:</b>		
Cash paid:		
For purchase of capital assets – net of proceeds	1,264	2,203
Net increase in cash and investments	40,662	28,609
Cash and investments, beginning of year	<u>403,773</u>	<u>375,164</u>
Cash and investments, end of year	<u><u>444,335</u></u>	<u><u>403,773</u></u>

## *Financial Statements*

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### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

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#### **1. NATURE OF OPERATIONS**

The Workplace Health, Safety and Compensation Commission ("the Commission") was established by the New Brunswick Legislature on January 1, 1995, under the *Workplace Health, Safety and Compensation Commission Act*. This organization assumes all the functions previously performed by the Workers' Compensation Board of the Province of New Brunswick and the New Brunswick Occupational Health and Safety Commission, including the administration of the *Workers' Compensation Act* and the *Occupational Health and Safety Act*.

The Commission is responsible, in accordance with the provisions of these acts, for promotion of accident prevention; administering the payment of benefits to injured workers; levying and collecting assessment revenues from employers in amounts sufficient to cover the current and future costs of existing claims; promotion of occupational health and safety; and investing funds.

The Province of New Brunswick has committed to the funding of a grant to the Commission in support of occupational health and safety.

#### **2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

##### **Provision for unbilled assessments**

As a portion of assessment income for the year is not received until after year-end, the amount shown is an estimate based on an analysis of employer payroll data. The difference between this estimate and the actual income received is credited or charged to income in the following year.

##### **Recoverable benefits liabilities and self-insured employers**

These financial statements include the effects of transactions carried out for self-insured employers (Federal and certain Provincial Government bodies) who directly bear the cost of their incurred claims and an appropriate share of administration costs.

The benefits liabilities recorded in these financial statements include obligations to injured workers of self-insured employers, excluding those injured workers and dependents receiving benefits under the *Government Employees Compensation Act* or the *Silicosis Compensation Act*. These obligations represent the actuarial present value of all future benefits payments expected to be made for claims which occurred in the current fiscal year, or in any prior year, for these self-insured employers. As these liabilities will be borne by these employers when paid in future years, an offsetting receivable in an amount equal to the benefits liabilities exists and is shown as recoverable benefits liabilities on the Commission's balance sheet. Self-insured employers who are Crown Corporations are required to provide the Commission with an irrevocable letter of credit or a guarantee from the Province of New Brunswick as security for the receivable.

##### **Investments**

Fixed-term investments are carried at amortized cost. Gains and losses realized on disposal of fixed-term investments are amortized on a straight line basis over a seven-year period, which approximates the period to maturity.

Equity investments, option contracts, and unrealized gains and losses on future and forward contracts are stated at moving average market value. Realized and unrealized gains and losses occurring during the year are deferred and amortized on a straight line basis over a five-year period.

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## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

##### **Capital assets**

Capital assets are reported at cost and are depreciated on a straight line basis over their estimated useful lives. The rates used are as follows:

Buildings	25 or 40 years
Office furniture and equipment	5 years
Computer software and hardware	3 years
Motor vehicles	3 years, 35% residual value

##### **Benefits liabilities**

Benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims. Benefits liabilities also include the estimated liability for latent occupational diseases, and a provision for future administration costs of existing claims. It is the Commission's policy to have an independent consulting actuary complete a valuation of the benefits liabilities of the Commission every two years. Such a valuation was performed as at December 31, 1996. In interim years, the Commission's staff actuary completes an estimate of the benefits liabilities. This estimate is reviewed with the Commission's consulting actuary, but not at the same level of detail as when a full independent valuation is performed. Actual future costs could vary from those amounts presented in the financial statements.

##### **Funding policy**

The Commission's funding policy to attain a funded ratio of assets to liabilities of 105% is currently under review. The assessment revenue raised each year from assessed employers includes a certain amount designed to allow the Commission to attain its target funded ratio. In 1997, this amount was \$9.0 million (1996 - \$18.5 million). The revenue raised with respect to the funding policy is shown separately in the Statement of Operations. The funded ratio at December 31, 1997 is 102.5% (1996 - 101.3%).

##### **Workers' Rehabilitation Centre**

Included in Health Care payments is \$6.2 million (1996 - \$6.0 million) for services provided by the Workers' Rehabilitation Centre, a department of the Commission.

##### **Agreements with respect to certain employer assessments**

The Commission has entered into agreements with certain employers which require these employers to provide funding to cover the specific costs of benefits to their injured workers. Three years following the end of a fiscal year or, depending on the agreement, at the conclusion of a specific project, an actuarial determination is made of the future benefits payments expected for claims identified with each employer and a final settlement is reached with each employer. Subsequent adjustments to the actuarial determination of benefits liabilities associated with these agreements are the responsibility of, or for the benefit of, the Commission.

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **3. RECEIVABLES**

	1997 (\$000)	1996 (\$000)
Assessments	4,791	2,488
Provision for unbilled assessments	1,500	3,000
Self-insured employers	249	268
Other	351	144
	6,891	5,900

#### **4. INVESTMENTS**

The Commission has established policies for the management of the investment process, utilizing external investment portfolio managers. The portfolio managers' compliance with these investment policies is monitored on a regular basis.

	1997 (\$000)	1996 (\$000)
i) Portfolio Investments		
Money Market	47,407	45,320
Fixed-term investments (Market 1997 - \$187,667; 1996 - \$143,182)	184,190	134,302
Equities (Market 1997 - \$295,554; 1996 - \$292,320)	269,958	258,389
Accrued interest	2,775	2,627
	504,330	440,638
Deferred realized investment gains	(59,995)	(36,865)
	444,335	403,773

Concentration of credit risk - 27% of fixed-term investments is a direct obligation of a Canadian Chartered Bank.

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **4. INVESTMENTS (CONTINUED)**

	1997 (\$000)	1996 (\$000)
ii) Deferred Realized Investment Gains		
Balance, beginning of year	36,865	21,612
Realized net investment gains for the year	49,604	33,710
	86,469	55,322
Amortization to investment income	(26,474)	(18,457)
Balance, end of year	59,995	36,865
iii) Investment Income		
Earned during the year	21,254	19,421
Amortization of deferred realized investment gains	26,474	18,457
Amortization of deferred unrealized investment gains	3,337	6,662
	51,065	44,540
Less: Portfolio management expenses	(3,259)	(3,287)
	47,806	41,253

#### iv) Derivative Financial Instruments

Certain of the Commission's external investment portfolio managers utilize derivative financial instruments where appropriate to increase portfolio diversification, reduce interest rate and foreign currency volatility and enhance overall investment returns.

Included in equities are option contracts with a cost of \$1.5 million (1996 - \$1.3 million) and a market value of \$1.4 million (1996 - \$1.5 million). The Commission's unrecorded contractual commitments and the corresponding market values relating to future and forward contracts are as follows:

	1997 (\$000)		1996 (\$000)	
	Unrecorded Contractual Commitments	Market Value	Unrecorded Contractual Commitments	Market Value
Long position future and forward contracts	8,440	8,228	60,700	60,000
Short position future and forward contracts	16,805	16,970	16,700	16,800

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

#### **December 31, 1997**

#### **4. INVESTMENTS (CONTINUED)**

##### v) Pooled Investment Fund

The Commission has entered into a Pooled Investment Fund arrangement for the management of its investment assets and those of the Workers' Compensation Board of Prince Edward Island. These financial statements report the Commission's proportionate share of the investment assets held in the pooled fund which was 91.7% at December 31, 1997 (1996 - 91.7%). The Commission receives a fee for the administration of the Workers' Compensation Board of Prince Edward Island's share of the fund.

#### **5. CAPITAL ASSETS**

	1997 (\$000)			1996 (\$000)
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	162	0	162	162
Buildings	10,359	4,493	5,866	6,026
Office furniture and equipment	3,904	3,451	453	640
Computer software and hardware	10,319	9,091	1,228	1,820
Motor vehicles	330	184	146	114
	<u>25,074</u>	<u>17,219</u>	<u>7,855</u>	<u>8,762</u>

#### **6. PAYABLES AND ACCRUALS**

	1997 (\$000)	1996 (\$000)
Accounts payable and accruals	3,422	4,261
Employer deposits	7,545	4,729
Province of New Brunswick	225	410
Risk Management Demonstration Project	0	514
	<u>11,192</u>	<u>9,914</u>

The employer deposits represent funds deposited with the Commission in accordance with the agreements with certain employers referred to in note 2 to these financial statements.

## *Financial Statements*

### WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK

#### NOTES TO FINANCIAL STATEMENTS

**December 31, 1997**

#### 7. BENEFITS LIABILITIES

i)	1997 (\$000)					1996 (\$000)	
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabili- tation	Total	Total
Balance, beginning of year	31,873	239,437	89,675	80,533	20,353	461,871	445,664
Add Claims costs incurred:							
Current year injuries	18,419	13,355	1,299	17,863	3,292	54,228	53,685
Prior years' injuries	6,254	16,328	2,913	8,392	168	34,055	32,555
	<u>24,673</u>	<u>29,683</u>	<u>4,212</u>	<u>26,255</u>	<u>3,460</u>	<u>88,283</u>	<u>86,240</u>
Less Claims payments made:							
Current year injuries	7,149	105	48	5,762	49	13,113	12,885
Prior years' injuries	14,347	19,620	6,972	15,599	2,481	59,019	57,148
	<u>21,496</u>	<u>19,725</u>	<u>7,020</u>	<u>21,361</u>	<u>2,530</u>	<u>72,132</u>	<u>70,033</u>
Balance, before amendments	35,050	249,395	86,867	85,427	21,283	478,022	461,871
Effect of legislative amendments	1,204	4,728	14,745	0	0	20,677	0
Balance, end of year	<u>36,254</u>	<u>254,123</u>	<u>101,612</u>	<u>85,427</u>	<u>21,283</u>	<u>498,699</u>	<u>461,871</u>

ii) Significant changes in benefits liabilities and claims costs incurred for prior years' injuries arising from the actuarial review of the benefits liabilities performed as at year-end included the following:

	Increase (decrease) in benefits liabilities and claims costs incurred	
	1997 (\$000)	1996 (\$000)
Unfavourable experience on short-term disability claims	3,000	2,200
Unfavourable trend in long-term health care costs	2,200	
Unfavourable experience on health care costs		3,000
Favourable inflation experience		(5,000)
Reduction in assumed indexing rate for CPI-indexed benefits	(5,000)	(4,900)
Increased cost per claim assumption for future long-term disability claims		7,200
Favourable experience on other benefits		(2,100)

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **7. BENEFITS LIABILITIES (CONTINUED)**

iii) During 1997, the Commission's board of directors recommended changes to the *Workers' Compensation Act* and on February 26, 1998, the Legislature proclaimed Bill 21, *An Act to Amend the Workers' Compensation Act*. The impact of this Bill on the benefits liabilities of the Commission as at December 31, 1997 is as follows:

	Assessed Employers (\$000)	Self-Insured Employers (\$000)	Total (\$000)
Increase in loss of earnings compensation rate to 85% effective January 1, 1998	839	140	979
Introduction of a 5% pension annuity for injured workers receiving loss of earnings benefits for 24 consecutive months or longer, retroactive to January 1, 1993	4,308	644	4,952
Reinstatement of benefits to surviving spouses whose benefits were terminated subsequent to April 17, 1985 due to remarriage or cohabitation	12,181	2,565	14,746
	17,328	3,349	20,677

The portion of the legislative amendments attributable to self-insured employers has no net impact on the Commission's excess of income over expenses for the year or the fund balance.

#### **8. ACTUARIAL ASSUMPTIONS**

The actuarial valuation of the benefits liabilities is based on assumptions that reflect both short-term and long-term forecasts. The table below lists the principal economic assumptions used:

	1997		1996	
	CPI-indexed awards	Other payments	CPI-indexed awards	Other payments
Gross rate of return	8.00%	8.00%	8.00%	8.00%
Inflation - Year 1	1.78%	4.35%	1.80%	4.35%
- subsequent years	4.35%	4.35%	4.35%	4.35%
Net rate of return - Year 1	6.11%	3.50%	6.09%	3.50%
- subsequent years	3.50%	3.50%	3.50%	3.50%

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **9. ASSESSMENTS**

	1997 (\$000)		1996 (\$000)
	Budget	Actual	Actual
Assessments earned	72,375	71,174	77,347
Interest and penalties	800	532	801
Risk Management Demonstration Project	758	514	792
Assessments written off	(500)	(165)	(196)
	73,433	72,055	78,744
Shown as:			
Assessments	64,433	63,055	60,244
Funding policy assessment	9,000	9,000	18,500
	73,433	72,055	78,744

#### **10. SELF-INSURED EMPLOYERS**

	1997 (\$000)		1996 (\$000)
	Budget	Actual	Actual
Assessment revenue	15,500	13,929	13,027
Claims costs incurred:			
Short-term disability	3,000	3,265	2,040
Long-term disability	4,800	4,715	3,435
Survivor benefits	1,000	173	538
Health care	3,250	2,582	4,782
Rehabilitation	650	664	(294)
	12,700	11,399	10,501
Administration	2,800	2,530	2,526
	15,500	13,929	13,027

The claims costs incurred, and related assessment revenue, relating to the self-insured employers' share of the impact of the legislative amendments are not included above. As shown in note 7 (iii), this amounts to \$3,349.

## *Financial Statements*

### WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK

#### NOTES TO FINANCIAL STATEMENTS

**December 31, 1997**

#### 11. ADMINISTRATION

	1997 (\$000)		1996 (\$000)
	Budget	Actual	Actual
Salaries and employee benefits	15,966	<b>15,545</b>	15,253
Depreciation	2,220	<b>2,046</b>	2,415
Professional fees	734	<b>632</b>	664
Office and communications	1,743	<b>1,233</b>	1,435
Building operations	1,992	<b>1,840</b>	1,900
Travel and vehicle operations	993	<b>831</b>	906
Education and training	556	<b>307</b>	231
Other	694	<b>419</b>	676
	<u>24,898</u>	<u><b>22,853</b></u>	<u>23,480</u>
Recovery of costs	(2,200)	<b>(2,196)</b>	(2,268)
	<u>22,698</u>	<u><b>20,657</b></u>	<u>21,212</u>
Shown as:			
Operations	17,941	<b>16,206</b>	16,512
Occupational health and safety	4,757	<b>4,451</b>	4,700
	<u>22,698</u>	<u><b>20,657</b></u>	<u>21,212</u>

The recovery of costs consists of costs incurred by the Commission on behalf of the Workers' Rehabilitation Centre which are properly reflected as Health Care payments.

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENT**

**December 31, 1997**

#### **12. LEGISLATIVE OBLIGATIONS AND OTHER RELATED PARTY TRANSACTIONS**

The Commission is required by legislation to reimburse the Provincial Government for all operating costs of the Workers' and Employers' Advocates. During the year, costs incurred were as follows:

	1997 (\$000)		1996 (\$000)
	Budget	Actual	Actual
Workers' Advocate	327	305	345
Employers' Advocate	142	228	149
	469	533	494

Included in these statements are amounts resulting from normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations with which the Commission may be considered related. Account balances arising from these transactions are included in the financial statements.

The following investments held by the Commission are issued by the Province or its agencies, or are issued by municipalities and guaranteed by the Province:

	1997 (\$000)	1996 (\$000)
Province of New Brunswick	200	5,172
Municipalities or Municipal Finance Corporation	34	545
	234	5,717

#### **13. EMPLOYEE PENSION PLAN**

The Commission and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick, which provides pensions based on the length of service and best average earnings.

An actuarial valuation prepared as at April 1, 1989 indicated that the present value of the accumulated plan benefits exceeded the market value of the net assets available to provide for these benefits. The Commission's portion of the shortfall was determined to be \$2.6 million. The unfunded liability is being funded through 25 annual escalating payments which commenced in 1992.

## *Financial Statements*

### **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

#### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1997**

#### **13. EMPLOYEE PENSION PLAN (CONTINUED)**

Using the 1989 valuation, annual payments (including interest) in each of the next five years, bearing interest at CPI plus 2% (assuming an average rate of 6.5%) amortized to 2016, are as follows:

	<u>(\$000)</u>
1998	185
1999	198
2000	210
2001	224
2002	239

An actuarial valuation was prepared as at April 1, 1997. This valuation also indicates that the present value of the accumulated plan benefits continues to exceed the market value of the net assets available to provide these benefits. No change has yet been made to the funding based on this valuation.

#### **14. CONTINGENT LIABILITY**

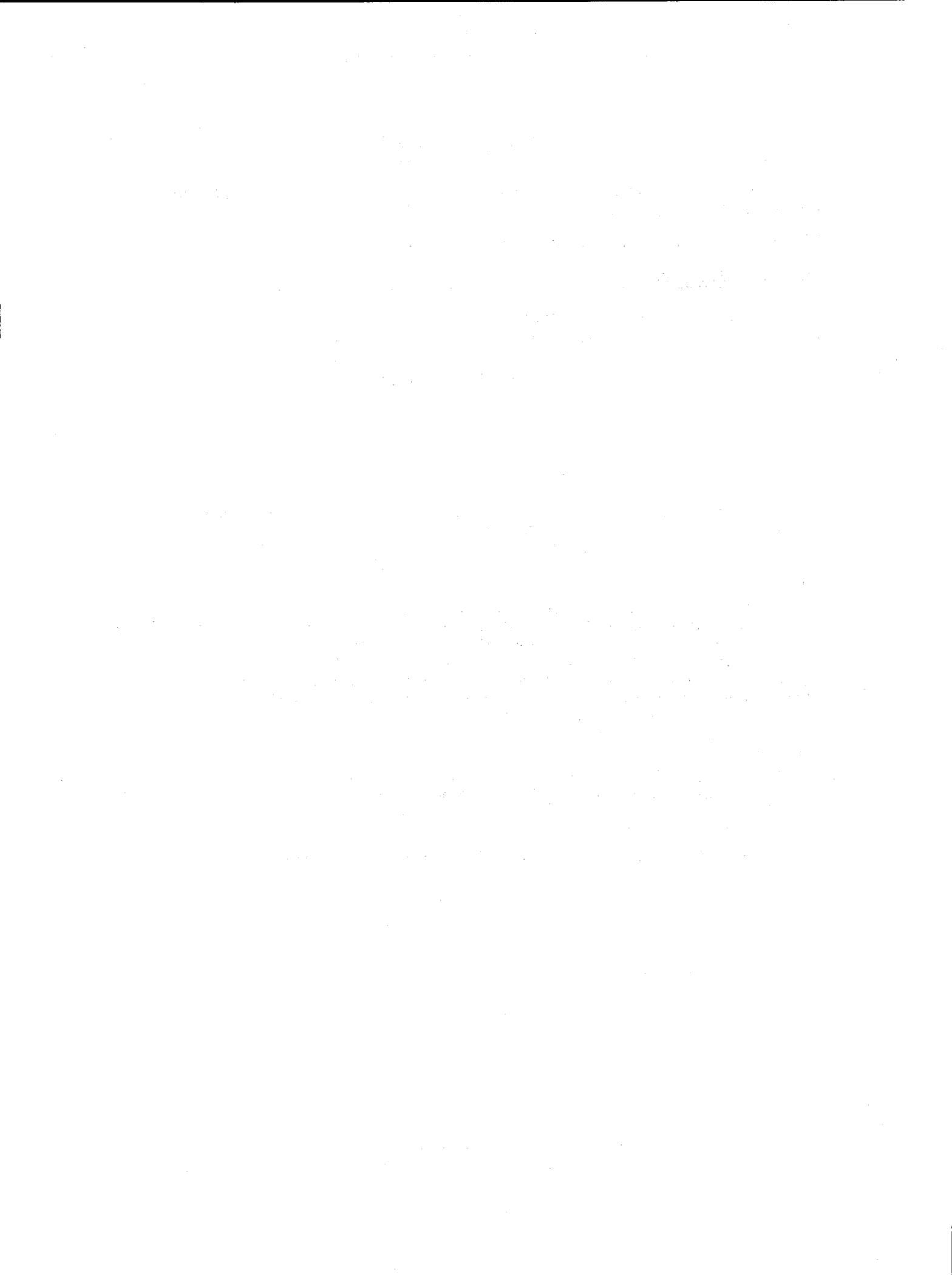
Bill 21, *An Act to Amend the Workers' Compensation Act*, was proclaimed on February 26, 1998. Section 38.81 of this Bill reinstates benefits to surviving spouses who were disentitled on or after April 17, 1985 as a result of remarriage or cohabitation. As disclosed in note 7 (iii), these financial statements include the benefits liabilities for these reinstated benefits. Some survivors who were disentitled prior to April 17, 1985 claim their benefits should be reinstated and have commenced legal action. As the outcome of this action is not determinable, these financial statements include no related liability. If it is determined the Commission is held liable for the cost of any reinstatement, these costs will be accounted for as an expense in the year of occurrence.

#### **15. BUDGET**

The 1997 budget figures which are presented for comparison with the actual figures were approved by the Commission's board of directors in November 1996 and have not been audited.

#### **16. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for 1997.



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**FINANCIAL STATEMENTS**

**YOUTH COUNCIL OF NEW BRUNSWICK**

**31 MARCH 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Members  
Youth Council of New Brunswick

I have audited the balance sheet of the Youth Council of New Brunswick as at 31 March 1998 and the statement of revenue, expenses and deficit for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
8 July 1998

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**YOUTH COUNCIL OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 1998**

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	1998	1997
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,669	\$1,079
Accounts receivable	6,163	6,317
	<hr/>	<hr/>
	\$ 8,832	\$7,396
	<hr/>	<hr/>
<b>LIABILITIES AND DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 6,075	\$5,402
Accrued salaries payable	5,257	5,543
	<hr/>	<hr/>
	11,332	10,945
Deficit	(2,500)	(3,549)
	<hr/>	<hr/>
	\$ 8,832	\$7,396
	<hr/>	<hr/>

Approved by the Council

Martine Haychard Chairperson

Carlo S. Roy Member

**YOUTH COUNCIL OF NEW BRUNSWICK  
STATEMENT OF REVENUE, EXPENSES AND DEFICIT  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998 Budget (Note 3)	1998	1997
<b>REVENUE</b>			
Grants			
Province of New Brunswick	\$113,800	\$113,800	\$113,400
Other (note 4)	12,000	12,000	12,000
Miscellaneous	-	5,369	620
Youth Connexions Jeunesse (Schedule A)	-	89,210	82,461
	<u>125,800</u>	<u>220,379</u>	<u>208,481</u>
<b>EXPENSES</b>			
Salaries and benefits	92,284	95,106	91,668
Furniture and equipment	4,200	3,458	3,480
Professional development	300	-	295
Professional services	900	799	922
Printing and photocopying	11,386	12,277	9,143
Travel, accommodations and meals	7,500	10,271	8,371
Telephone	4,450	4,418	4,341
Office supplies	2,400	1,570	2,438
Postage	900	683	879
Public relations and advertising	400	420	-
Honoraria	1,500	2,412	1,500
Conference and meeting	100	107	60
Publications and subscriptions	450	469	520
Repairs and maintenance	200	-	94
Bank charges	180	180	212
Miscellaneous	50	20	-
Youth Connexions Jeunesse (Schedule A)	-	87,140	82,327
	<u>127,200</u>	<u>219,330</u>	<u>206,250</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (1,400)</b>	<b>1,049</b>	<b>2,231</b>
Deficit, beginning of year		(3,549)	(5,780)
<b>DEFICIT, end of year</b>		<b>\$ (2,500)</b>	<b>\$ (3,549)</b>

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**YOUTH COUNCIL OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1998**

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**1. Purpose of the organization**

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The Council was established by a cabinet decision in May 1986 and the appointment of the Council was announced in March 1987. The Council began operations in May 1987.

The Youth Council's mission statement reads as follows:

The Youth Council of New Brunswick is the provincial body representative of youth which voices the interests, needs, concerns and perspectives of young people aged 15 - 24, and presents recommendations to government and the public. This is achieved by acting as an advisory and advocacy body, through resource co-ordination and by research and consultation. Through its actions, the Youth Council of New Brunswick strives to be a catalyst for increasing youth involvement in society.

**2. Capital assets**

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It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

**3. Budget information**

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The budget information for 1998 deals only with the general operations of the Council. During the year, the Council received additional revenues to defray the cost of operations of Youth Connexions Jeunesse. The revenues and expenses of this activity are not included in the budget information provided for general operations.

**4. Grants - Other**

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An amount of \$12,000 was received during the period ended 31 March 1998 (1997 - \$12,000) to defray the cost of publishing the Youth Council's Bulletin Journal.

**5. Services provided by the Province of New Brunswick and others**

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The Council uses an office building owned by the Province of New Brunswick and there are no rental charges.

Youth Connexions Jeunesse operates from a location provided free of rental charges at the Regent Mall in Fredericton.

## SCHEDULE A

**YOUTH COUNCIL OF NEW BRUNSWICK  
SCHEDULE OF YOUTH CONNEXIONS JEUNESSE REVENUE AND EXPENSES  
FOR THE YEAR ENDED 31 MARCH 1998**

	1998	1997
<b>REVENUE</b>		
Province of New Brunswick	\$89,210	\$52,979
Government of Canada	-	29,482
	<u>89,210</u>	<u>82,461</u>
<b>EXPENSES</b>		
Salaries and benefits		
Administration	33,278	31,914
Casuals	41,727	41,824
Furniture and equipment	3,991	-
Professional services	-	145
Printing and photocopying	1,730	1,333
Travel, accommodations and meals	262	692
Telephone	3,194	1,822
Office supplies	1,941	3,978
Postage	134	4
Public relations and advertising	668	600
Repairs and maintenance	215	15
	<u>87,140</u>	<u>82,327</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 2,070</u>	<u>\$ 134</u>